Austria Sch 18	Indonesia Rp 2500	Portugal Esc 80
Bahrain Din 0.650	Italy L 1300	S. Arabia Rls 6.00
Belgium Fr 38	Japan Y550	Singapore S$4.10
Canada C$2.00	Jordan Fils 500	Spain Pta 110
Cyprus C£0.60	Kuwait Fils 500	Sri Lanka Rup 30
Denmark Dkr 7.25	Lebanon £L 6.00	Sweden Skr 6.50
Egypt E£1.00	Luxembourg LFr 38	Switzerland SFr 2.20
Finland FmK 6.00	Malaysia Rm 4.25	Taiwan NT$65
France Fr 6.00	Mexico Pes. 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 6.00	Turkey L 210
Greece Dr 70	Netherlands Fl 2.50	U.A.E. Dh 6.50
Hong Kong HK$12	Norway Kr 6.00	U.S.A. $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Economic prospects: Now it's up to Japan and Europe, Page 14

World news

Brussels court warning on cereals

The European Commission warned EEC foreign ministers that a continued failure by member states to take a decision on guaranteed prices for cereals and rape seed could result in action against them in the European Court.

The warning came in a letter from Frans Andriessen, the farm Commissioner, to Giulio Andreotti, the Italian president of the foreign ministers council. It warned that the four-month impasse in negotiations over the cereals prices leaves the Council in breach of its obligations under the Treaty of Rome.

The letter makes clear that the Commission is reserving its right to take the Council to court if the situation is not rapidly resolved.

Air India flight ban

Air India said it would halt flights to Canada, mainly because of fears about security following a suspected bomb attack aboard an Air India jumbo jet which killed 329 people. Page 3

Benedetti bribe claim

Carlos de Benedetti, chairman of Olivetti and the foods group Buitoni, disclosed that he had been asked to pay a bribe in order to expedite the acquisition of the SME food company from Italy's IRI state holding group. Page 2

Solidarity strike call

The outlawed Polish trade union Solidarity denounced in an underground bulletin the jailing of opponents of the Government and repeated a strike call if the authorities go ahead with a planned increase in meat prices.

Afghans executed

Several Afghan Air Force officers have been executed for sabotage following the destruction of about 20 jet fighters at the Soviet Union's largest airbase in Afghanistan.

Easter Island talks

President Augusto Pinochet of Chile agreed to open formal negotiations with Washington over a U.S. request to use Chile's Easter Island as an emergency landing strip for its space shuttles. Page 4

East Timor torture

Indonesian forces have systematically tortured and killed civilians in East Timor since invading the island in 1975, Amnesty International said in a report.

Car exhaust meeting

West Germany and UK ministers met informally in London to try to bridge the gap between the two sides' positions on proposed car exhaust emission standards for the EEC.

Mitterrand protest

French President François Mitterrand was greeted by angry demonstrations from winegrowers and trade unionists on the last day of a two-day electioneering trip to southern France. Page 2

Party ban dropped

The left-wing government of the Saarland has become the first state administration in West Germany to drop the existing controversial regulations whereby active members of either the Communist party or the far-right NPD are barred from holding office. Page 2

ANC pledge

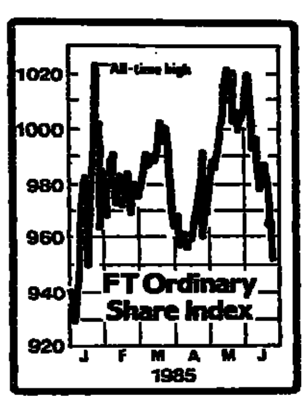
The African National Congress (ANC), the leading exiled nationalist party opposing white rule in South Africa, ended a conference in the Zambian town of Kabwe with a pledge to intensify its "political and military offensive" in the republic. Page 3

Business summary

Expansion forecast for EEC economy

EUROPEAN COMMISSION forecast a moderate but steady expansion in economic activity in the EEC, coinciding with a sharp increase in the overall Community trade surplus and a continued decline in the rate of inflation. Page 16

WALL STREET: The Dow Jones industrial average closed up 2.47 at 1,323.03. Page 40



LONDON issues were pulled lower by heavy selling of electronic and high-technology issues. The FT Ordinary share index closed 13.1 lower at 952.1, the second lowest level of the year. Page 40

TOKYO share prices rose on increased volume. The Nikkei-Dow market average reached a record with a 71.09 jump to 12,837.02. Page 40

DOLLAR showed little change in London, closing at DM 3.07 (DM 3.0705), SwFr 2.57 (SwFr 2.565), FFr 9.3525 (no change) and Y248.95 (Y248.8). On Bank of England figures, the dollar's exchange rate index was 145.1 from 145.0. Page 33

STERLING lost just 10 points against the dollar in London to finish at $1.2855. It was also slightly weaker at DM 3.9425 (DM 3.95), SwFr 3.3 (SwFr 3.3025), FFr 12.0 (FFr 12.045) and Y319.5 (Y320.25). The pound's exchange rate index was unchanged at 80.3. Page 33

GOLD: In New York the Comex August settlement was $318.30. It rose $1.50 on the London bullion market to $316.50 and $0.50 in Zurich to $315.50. Page 32

JAPAN is still failing to create viable short-term markets, a U.S. Treasury official said after two days of talks in Tokyo. Page 20

AKZO, Dutch fibres and chemicals concern, plans to sell its struggling U.S. subsidiary Enka to BASF, the West German chemicals group. Page 16

FERMENTA, the fast-growing Swedish chemicals manufacturer, broke off negotiations to take over KabiVitrum, Sweden's state pharmaceuticals company, after failing to agree a price. Page 17

WESTLAND, the troubled UK helicopter manufacturer and engineering group, has called in accountants Price Waterhouse to review its operations following last week's abandonment of an £89m ($113.9m) bid for the group from a consortium led by Alan Bristow, Britain's biggest helicopter operator. Page 5

RENAULT, the financially troubled French state car group, is in advanced negotiations with General Motors of the U.S. over collaboration at Renault's engine manufacturing plant in northern Mexico. Page 17

AXEL SPRINGER, the privately-owned West German newspaper publisher, is to sell 49 per cent of its stock to carefully selected buyers to ensure that the group remains intact in the event of the founder's death. Page 17

MR C. E. MEYER, Trans World Airlines chief executive, is leaving to become chief executive of Hilton International, part of TransWorld Corporation, the former parent of TWA.

IBM to challenge AT&T with stake in telephone rival

BY PAUL TAYLOR IN NEW YORK

IBM, the world's largest computer-maker, said yesterday that it will acquire up to a 30 per cent stake in MCI Communications, the Washington-based cut-price telephone group and American Telephone and Telegraph's (AT&T) main rival in the U.S. long-distance telephone market.

The deal forms the second leg of a complex "swap" agreement under which MCI will acquire "substantially all the assets" of Satellite Business Systems (SBS), IBM's lacklustre long-distance telephone joint venture with Aetna Life and Casualty.

It brings IBM, the dominant force in the world computer industry, directly into telecommunications in the most dramatic example yet of the growing convergence of the two rapidly evolving technologies.

The two-step deal represents a further major restructuring of the fiercely competitive $45bn-a-year U.S. long-distance telephone carrier market in the wake of the Bell System break-up last year.

The surprise announcement sent Wall Street shares in IBM, MCI and AT&T in all directions. IBM shares, which were up more than $2 a share fell back to $122.5, up $1⅝, in the immediate wake of the announcement; MCI's stock was suspended at $8 a share; Aetna's stock rose 25 cents to $46.25; while AT&T's fell 50 cents to $23⅜, with over 2m shares changing hands by lunchtime.

Under the terms of the three-way deal, MCI will acquire SBS from IBM and Aetna, who are the sole owners of the satellite communications group after Comsat pulled out of the joint venture last year.

In a joint announcement, the companies said that in addition to certain cash payments "and other considerations" made by IBM to Aetna, the largest investor owned U.S. insurance group, Aetna could receive a future payment from IBM depending on the market value of MCI stock at the time the MCI/SBS merger is concluded.

In exchange for SBS's assets and operations, MCI will issue IBM with 45m shares and warrants to purchase a further 7m MCI shares at $15 a share. MCI currently has about 249m shares outstanding. IBM said it had agreed to hold the shares for a minimum of three years.

The agreement also calls for IBM to make future cash investments in MCI securities, but the computer giant has agreed not to increase its total stake in MCI beyond 30 per cent without the telephone group's approval.

Commenting on the deal, Mr John Akers, IBM's president and chief executive, said: "IBM has a continuing interest in the telecommunications services industry. We believe that through their combined operations both SBS and MCI will be strengthened and their customers will benefit."

Mr William McGowan, MCI's chairman, said: "The acquistion of SBS would significantly improve MCI's revenues and capital structure and would add over 200,000 customers to the more than 2½m business and residential customers now served by MCI.

Mr James Lynn, Aetna's chairman added: "While the transaction will produce a one-time capital loss Aetna in the second quarter of 1985, it is consistent with out strategy to refocus resources on our basic insurance and financial services businesses."

The agreement, which is subject to a number of conditions, including approval by the Federal Communications Commission, appears to provide new opportunities for both MCI and IBM.

Continued on Page 16

American Express president resigns

By Paul Taylor in New York

AMERICAN EXPRESS, the U.S.-based worldwide financial services group, stunned Wall Street yesterday with a double-barrelled announcement that Mr Sandford Weill, its president, is resigning while its Fireman's Fund insurance subsidiary is to be restructured, spinning-off the loss-making property/casualty businnes.

Mr Weill became American Express president in January 1983 after selling his Shearson, Loeb, Rhoades Wall Street investment firm to American Express for $930m in June 1981. He will be replaced by Mr Louis Gerstner, currently chairman of the American Express executive committee and of its money-spinning Travel Related Services (TRS) operations.

The early morning announcement ends months of speculation, both over the future of Mr Weill himself, and over the troubled Fireman's Fund insurance business. Mr Weill has overseen and reorganised Fireman's funds its problems surfaced in late 1985 leading its corporate parent to report its first full-year earnings decline for 36 years.

Under American Express' latest plan, Fireman's Fund's profitable life insurance operations, which posted an 87 per cent gain in net income to $49m last year, will be transferred directly back to the parent company. At the end of last year, Fireman's Fund's life insurance operations had $23bn of policies in force and earned $658m in premiums.

However, its property/casualty business, which remains a small loss-maker despite a marked recovery from the 1983 fourth quarter when American Express was forced to add $230m to reserves, will be spun-off through a public stock offering. Last year the property casualty operations, which rank as the tenth largest in the U.S., recorded a net loss of $7m on $2.8bn in premium income and $429m in investment income.

Mr James D. Robinson III, American Express' chairman and chief executive, announcing the changes said: "We believe both American Express and Fireman's Fund will benefit from our restructuring plan. American Express will continue to have an important equity stake in the property/casualty business while retaining 100 per cent of our life insurance activities. At the same time, Fireman's Fund, as an independent company, will be better positioned to take advantage of

Continued on Page 16

Men and Matters, Page 14;
Changing track, Page 17

Reagan looks at Beirut blockade plan

BY REGINALD DALE IN WASHINGTON, TONY WALKER IN BEIRUT AND DAVID LENNON IN TEL AVIV

PRESIDENT Ronald Reagan is considering a range of options, including the closure of Beirut airport, to increase pressure for the release of the 40 American hostages held in Lebanon.

Mr Larry Speakes, the White House spokesman, said that the measures might also include cutting off goods and services to Beirut and unspecified action against Iran, Syria and Libya. He added, however, that Mr Reagan had not yet taken a final decision and would not say how the U.S. could close the airport, other than through "international co-operation."

Mr Speakes said there were means of closing the airport without using force and repeated that any decisions would be taken "with the lives of the hostages in mind." U.S. officials pointed out that the three-man crew of the hijacked TWA Boeing 727 was still being held aboard the aircraft at the airport, and would be vulnerable to any military operation.

Mr Speakes added, however, that in ruling out the use of force to free the hostages on Sunday, Mr Reagan had been speaking only about "a violent rescue attempt" and had not meant to exclude other military action.

The President was expected to review the list of options, drawn up by his national security advisers on Monday, and possibly announce a decison later yesterday. Diplomatic efforts to free the hostages had so far "borne no fruit" although the U.S. remained hopeful of progress, Mr Speakes said.

U.S. officials had no immediate explanation of how the airport could be closed by international co-operation, given that Middle East Airlines was now the only airline regularly using it. One official speculated, however, that the U.S. might try to persuade other countries to suspend landing rights for all flights to and from Beirut.

Such an initiative might be taken in the general context of the international fight against terrorism rather than directly in response to the hostage crisis, the official said. Mr George Shultz, the U.S. Secretary of State, claimed on Sunday that 15 per cent of all hijacking outside the U.S. in the last 15 years had involved Beirut airport in one way or another.

Other officials said that economic sanctions against Lebanon, if that was what Mr Reagan had in mind, were unlikely to have much effect on an economy that was already "a basket case."

U.S. exports to Lebanon have been declining rapidly, from $131m in the first four months of 1984 to $72.9m in the same period of this year. The total for last year was

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Bush rules out 'knuckling under,' Page 2

Bonn advisers call for single tax cuts package

BY RUPERT CORNWELL IN BONN

THE Bonn Government's independent advisory council – the so-called "Five Wise Men" – yesterday took issue with the current slant of West German economic policy, calling specifically for the planned DM 20bn ($6.5bn) of tax cuts to be brought in as a single package next year, instead of being split between 1986 and 1988.

The criticism, which mainly accuses the centre right coalition of failing to produce a consistent and credible strategy to speed up growth, is particularly striking in that the council has previously been among the most unequivocal supporters of the cautious, deficit cutting policy pursued by Herr Gerhard Stoltenberg, the Finance Minister.

The views of the "Wise Men" came in a special report, as the Government is putting the finishing touches to its 1986 budget proposals. These foresee an increase in spending of just 2.4 per cent next year, and only modest reflationary measures, aimed specifically at the crisis-hit West German building industry.

The report does not quarrel with the generally accepted short-term outlook of rising investment, inflation at little more than 2 per cent in 1985, coupled with growth of between 2.5 and 3 per cent both this year and next.

But it blames the Government for relying on *ad hoc* measures, and for failing to live up to its promises of cutting subsidies in the economy. Last year, it notes, subsidies actually went up and the recent refusal of Bonn to accept EEC cereal price cuts suggests that it is ready to push them up, still further, particularly for agriculture.

Its main criticism, however, is directed at the decision – recently ratified by Parliament amid considerable controversy – to go ahead with the tax cuts in two stages, despite pressure to speed the package in a bid to reduce unemployment.

"A policy which sets out to promote growth should not put the state's finances to rights by increasing the tax burden," the report declares. Instead cuts should be made on the spending side by reducing taxes: to push the entire DM 20bn package through in 1986 would only lead to a temporary and quite acceptable increase in the public sector deficit, it argues.

The timing of the report now virtually guarantees that the long-running tax cut debate will continue through into the autumn, especially if no discernable decline in unemployment is by then forthcoming.

The experts concede that their optimism of last year, that the number of jobless could be reduced by 100,000 in 1985 was over optimistic, and that there will instead be no improvement.

American Hospital rejects Baxter bid

BY WILLIAM HALL IN NEW YORK

AMERICAN Hospital Supply Corporation yesterday rejected a hostile $3.6bn takeover bid from Baxter Travenol, its smaller rival. However, the news did little to dispel concern on Wall Street about the future of American Hospital's own controversial Merger with Hospital Corporation of America (HCA).

The $6.6bn stock swap, first announced on March 30, continues to be the subject of much speculation on wall street because investors have been unhappy about the rationale behind the deal to create the largest fully integrated care corporation in the world. Yesterday, Hospital Corporation of America said that it had delaved its special meeting to consider the proposed merger for the second time "in order to give its stockholders additional time to consider the recent developments."

American Hospital said that its board had unanimously rejected the Baxter Travenol bid because it continued to see a combination with HCA as being in the best long-term interest of shareholders. The company said that its directors had considered the opinion issued by Merrill Lynch Capital Markets that had reviewed the Baxter Traveol offer and concluded that the merger with Hospital Corporation is "fair to the shareholders of American from a financial point of view."

American Hospital Corporation shares rose $¼ to $27½ shortly after the shares resumed trading yesterday. HCA shares droped $1⅛ to $47⅜ in early trading and Baxter travenol shares rose $⅛ to $16⅝.

Tokyo relaxes import tariffs

BY JUREK MARTIN AND CARLA RAPOPORT IN TOKYO

JAPAN yesterday announced reductions in tariffs on nearly 1,900 industrial and agricultural products as the first stage of its six part "import action programme" designed to control its soaring trade surplus.

Tariffs on about 1,800 items will be cut by 20 per cent across the board "from the earliest possible time in 1986." In addition, tariffs on 42 primary and processed agricultural commodities and 32 industrial items will be cut by a different amount, or eliminated entirely, either next year or in 1987.

The immediate reaction in the importing community in Japan was to point to significant omissions in the tariff package. European circles appeared particularly incensed that the lower tariffs on wines and spirits, which have long been a cause for concern to the European Community, were not to be implemented until April 1987.

Japanese officials conceded that by themselves the tariffs cuts would probably not have a great impact on Japan's general level of imports. But they argued that lower tariffs were important in certain controversial and price-sensitive markets.

They sought to place yesterday's measures in the context of the proposed new round of multilateral trade negotiations, which may start next year.

Japan, they said, had "taken the lead" in announcing policy lines before the new round and was prepared during those negotiations, to reduce its tariff rates on all industrial products to zero, along with other developed countries.

Other parts of the three-year import action programme are to be unveiled next month. Negotiations over them and the tariff package, have been marked by fierce bureaucratic infighting, some of which has yet to be resolved.

The balance of the programme will include lowering of some other import restrictions, such as quotas, reform of standards and certification procedures and import processing, new guidelines for government procurement policies, the relaxation of regulations on the service sectors such as the law, and financial liberalisation which is proceeding down a separate path.

Japanese officials conceded yesterday that the tariff cuts were far from all-embracing. They do not, for example, apply to Japan's two biggest import items, crude oil and grains.

Mr Yashiro Nakasone, the Prime Minister, was even obliged to intervene personally at the eleventh hour yesterday to deflect possible foreign criticism over the exclusions of some items from the tariff reductions.

He instructed a cabinet meeting that though tariff cuts for chocolate and natural cheese – of particular concern to the EEC – were not included, Japan could not rule out lower tariffs for both during the three-year life of the import action programme.

EEC puts duties on Japanese ball bearings, Page 4

CONTENTS

EUROPEAN NEWS

Patrick Cockburn visits the Soviet Union's untamed region and assesses its development plans

The high cost of tapping Siberia's frozen assets

IN THE north of the Soviet Union's Lake Baikal, the world's largest fresh water lake, small ice floes were still bobbing in the water at the beginning of *June. Not far from the lake* shore, on one of the few roads through the forests of birch and conifer, teams of workmen were repairing road surfaces cracked and potholed by the winter cold.

The *taiga* or forest farther to the north gives way to bleak tundra or to vast swamps. Beneath the surface of the land in the perma frost regions (covering half the territory of the Soviet Union) the soil is frozen hundreds of metres deep and water cannot drain away.

The great wilderness of Siberia, stretching east from the Ural mountains to the Pacific, is also the source of most of the Soviet Union's natural wealth. Only 9 per cent of its fuel and power resources are located in the European part of the country and 88 per cent in Siberia and the Far East. The largest oil and gas fields are to be found in the swamps of Tyumen province.

The desire to exploit this wealth (40 per cent of all the world's coal, 20 per cent of its natural gas, 15 per cent of forests) has tempted Soviet Governments since the revolution. The opportunities available on the new frontiers of Siberia seemed in the 1970s an escape from the economic problems of the older industrial areas in the European parts of the country.

The problem is that the cost of coping with the vast distances, the terrible cold and shortage of labour is always more than calculated. Russian settlers first moved into Siberia in pursuit of furs and land in the 17th century, but most of *the forests are untouched and there few roads away from the* cities.

The recently-opened 3,100 km-long Baikal-Amur (BAM) railway opens up the nautral resources of the regions of almost 1m sq km. It may pay off in the long term but the capital costs are on a scale which eat into the investment available for the rest of the country.

Although 29m people live in Siberia, 3m more than in Canada to which it is often compared, there is still a serious labour shortage. It is easy to see why people do not come even for the higher wages.

The long-established city of Irkutsk, for instance, is not far from Lake Baikal and by no means the coldest place in Siberia, but many of the trees only came into bud at the start of June and the area has only one month free of frost each year.

Along the BAM railway it is difficult to see how workers and their families are to be attracted to the new towns being built. Houses, schools, hospitals, roads and electric power have to be provided and this in the past has proved very costly. Failure to build them means a high labour turnover and poor productivity.

Many of the senior Party and state officials such as politburo members Mr Yegor Ligachev and Mr Nikolai Ryzhov, now grouped around Mr Mikhail Gorbachev, the new Soviet leader, have experience of these problems because they have worked for a long time in the Urals and Siberia. This *is in* contrast to Mr Brezhnev, whose senior officials tended to come from the older industrial areas.

Mr Gorbachev, however, has given little sign of favouring investment in the raw materials base in Siberia. The main theme of his economic reform is to stress that the re-equipment and *upgrading of existing Soviet* plant has been neglected for years and must now be given priority in investment.

The reason for previous neglect is in part because of the need since the mid-1970s, to fund big projects such as the BAM railway, the Tyumen oilfields, the oil and gas pipelines and the new Siberian power stations. Mr Gorbachev now says it is time to stabilise the amount of investment absorbed by the energy sector (totally some 2 per cent of all Soviet capital investment) and this is bound to hit grandiose new schemes in Siberia.

It will also limit the money *available for the long-debated* plan to take water from the Lena, Yenisei or Ob (three of the 10 largest rivers in the world which flow north through Siberia) and divert it south to the plains of central Asia.

The important change in Siberia, however, is likely to be seen in the oil fields of Tyumen province. In the *1970s*, the development of these oil and gasfields in the marshy plains east of the Urals, where construction or road communication is not possible when the surface ice turns to marsh in sum*mer, was the greatest economic* success of the Brezhnev years. By the early 1980s, there were plans to raise output to 500m tonnes of crude a year.

This is now heavily criticised: the rush to increase production led to poor reservoir planning, reliance on discovery of new oil deposits and neglect of technology and infrastructre.

Mr Vitali Vorotnikov, a Poulitbro member, said recently that the "existing oilfields in the old and newly settled areas are being worked at only 40-45 per cent of their capacity although experts say that there are opportunities for raising this to 60-70 per cent." This *means heavy investment* in new equipment and better infrastructure and, according to the Soviet press, starting work all over again in some areas.

The same pattern is likely to be seen in the rest of Siberia: the big projects started in the 1970s will be completed but the region's riches are no longer seen as the cure for Soviet economic ills.

Bush rules out 'knuckling under' to terrorists

BY RUPERT CORNWELL IN BONN

MR GEORGE BUSH, the U.S. Vice President yesterday ruled out any question of the U.S. "knuckling under" to the demand of Shi'ite militiamen holding the 40 or so Americans seized from the TWA airliner hi-jacked to the Lebanon twelve days ago.

He furthermore insisted that there was no *"linkage"* between the possible release of the 735 Lebanese — including 545 Shi'ites still held by Israel, and the freeing of the U.S. hostages in his words, victims of a "gross violation of international law."

Mr Bush spelt out his uncompromising stance at a news conference here afte rtalks with West German Government leaders dominated by the problem of combatting international *air terrorism* and the controversial space-based Strategic Defence Initiative (SDI) of Washington.

Afterwards, both Chancellor Kohl and the U.S. vice president stressed the need for closer international co-operation to stamp out such terrorism. But Mr Bush refused to be drawn on what action the Reagan Administration "might or might not take" in the specific in*stance of the hostages* in Lebanon.

An early chance to flesh out a concerted programme will come at a meeting here of security experts from the seven leading western industrial nations. According to a Bonn Government spokesman, these discussions have been planned for some while, but have now taken on a particular urgency.

Mr Bush yesterday singled out the improvement of security at airports, and the greater exchange of intelligence information between governments, as possible options among a "wide range of measures" to help pre-empt *future terrorist* strikes.

The Vice President also used the opportunity of his 24 hour stopover here—part of a seven nation European tour—to try and quell growing doubts in Bonn about the merits of official participation by West Germany in SDI, amid the rival attractions of the French-sponsored "Eureka" proposals for high technology collaboration.

He promised that the U.S. would welcome the idea of a European defence system against shorter range missiles —a concept with which the fledgeling "Eureka" project is increasingly bein linked here— and argued that "plenty of room" existed for co-operation between SDI and a specifically European initiative.

Repeating Washington's desire to secure the involvement of its allies in the space defence project, Mr Bush stressed that U.S. thinking on *what form* this might take was still in a formative stage. Collaboration could be enshrined beneath an "umbrella of government agreements" or consist of a programme *limited to private* industry.

The entire scheme was still at a very early stage. "We are very flexible on all facets of how SDI research will work. Those who participate will benefit," the Vice President said, "and it would *not* happen without consultation with our allies."

He confirmed that Chancellor Kohl, whose early enthusiasm for official German participation in SDI has been notably waning of late, gave no commitment during their one hour of talks.

The concept of SDI would benefit everyone, and nothing was *farther from American* intentions than to "de-couple" the security of the U.S. from that of Western Europe, he said. Scientific advances should make it feasible to win protection *against both intercontinental* missiles aimed at the U.S. and the short and intermediate range rockets targeted against Europe.

Benedetti criticises politicians over obstacles to SME deal

BY ALAN FRIEDMAN IN MILAN

SIG CARLO DE BENEDETTI yesterday delivered a blistering attack on the Italian political forces which have blocked the agreement under which his Buitoni food group was to have acquired for L497bn (£200m) the SME food company from Italy's IRI state holding group.

Speaking at Buitoni's annual meeting in Perugia, Sig de Benedetti, chairman of Buitoni as well as the Olivetti group, disclosed that he had been asked to pay a bribe in order to expedite the SME acquisition after it ran into political *trouble. He also denounced* what he called "political interference, damage to the financial markets, improper conduct and disinformation," in the SME affair.

Sig de Benedetti's accusations, especially his revelation that he was asked to pay a bribe, marks a dramatic new turn in the SME affair, which started out as an historic privatisation by IRI and has turned into a highly politicised controversy.

In a separate development yesterday, a Rome magistrate rejected a legal action by Buitoni lawyers which called for IRI to honour the privatisation agreement (announced on April *30) and which also sought the* sequestering of IRI's 64 per cent share stake in SME.

Sig de Benedetti described the court ruling as a "technical" matter and pledged to continue his attempts to see the IRI-Buitoni agreement honoured. "Our industrial proposal is the only one which meets the guidelines set out by the inter-ministerial committee," he said.

The disclosure that he had *been asked to pay a bribe*, which emerged during a Press conference in Perugia, is a virtually unprecedented case of a leading Italian industrialist going public with an example of the seamy underside of Italian business and political life. When asked to say who had solicited the bribe, Sig de Benedetti responded: "It is already a painful effort for me to discuss such a thing as this. I will not go into details."

The attack delivered by Sig de Benedetti follows a decision 10 days ago by the minister responsible for IRI—Sig Clelio Darida—to suspend the deadline which would have led to a *resolution of the SME affair*. Since the deal was originally announced by Professor Romano Prodi, IRI chairman, it has run into heavy opposition from Prime Minister Bettino Craxi and has been followed by several counter offers for SME.

Referring to the politicisation of the SME sale, which in large part reflects a power struggle between Sig Craxi's Socialist Party and the Christian Democrats who have a key rôe in the running of IRI, Sig de Benedetti said it was "very worrying for Italy because it turns the clock back in our country, back to the behaviour which the international com*munity thought we had long* since abandoned."

Among the counter offers which followed the IRI-Buitoni agreement was an offer for SME from a consortium composed of Fininvest, the flagship company of Sig Silvio Berlusconi, the television magnate,


Sig Carlo de Benedetti

Rising militancy tide in France

BY DAVID HOUSEGO IN PARIS

THE SURFACING of a mood of political violence in France was vividly demonstrated yesterday by incidents in widely separated corners of the country.

President Mitterrand on a visit to the wine-growing Languedoc-Roussillon region in south-west France ran into noisy protests from members of the pro-Communist CGT union who threw firecrackers and called him "traitor."

In Paris, M Georges Besse, the head of Renault, was held captive for almost an hour by Communist party members as he got out from his car to attend a meeting. They shouted slogans blaming both M Besse and M Mitterrand for "breaking up" the state automobile group.

The two demonstrations come on top of a growing list of incidents which reflect both increased militancy by the CGT union and a tenser climate of labour relations.

The CGT-organised violence is the result of a shift of policy in the Communist party which is seeking to brand the Government as repressive by forcing it to mobilise the riot police.

This shift was underlined yesterday by M George Marchais, the Communist Secretary-General, who told his Central Committee that the Socialists had the same objectives as the right.

They wanted to force the working class to submit to the interests of "big business." M Marchais' increasingly vehement attacks reflect the Communist judgment that the right will be back in power next year—with the Communists claiming to represent the working class.

In the Languedoc-Roussillon region, M Mitterrand faced similar violent protests at the mining town of Ales on Tuesday when CGT workers smashed portraits of him being held by Socialist supporters.

Languedoc-Roussillon is a traditionally left-wing bastion but dissatisfaction with the Government has flourished because of the winegrowers' *difficulties* and the entry of Spain and Portugal into the Common Market.

The recent rash of violent clashes began a month ago with the Communist-led attack to regain control of the SKF ball-bearing plant outside Paris—from which CGT workers had been evicted by the police.

But the growing strain in labour relations has also been reflected in the widely supported rail strike last week and the unexpected collapse this week of negotiations between employers and unions over redundancy and retraining contracts for those declared redundant.

Saarland first state to drop ban on communists

BY RUPERT CORNWELL IN BONN

THE LEFT-WING government of Saarland has become the first *Land*, or state, administration in West Germany to drop the existing controversial regulations whereby active members of either the Communist party (DKP) or the far-right NPD are barred from holding public office.

The move was announced yesterday by Herr Friedel Läpple, Interior Minister in the Social Democrat government of Saarland under Herr Oskar Lafontaine, which was formed after the SPD seized control of the state from the Christian Democrats (CDU) in the election on March 10.

Herr Läpple made clear that the decision would permit members of both the Moscow-leaning DKP and the NPD to become *civil servants in Saarland*—and put an end to a practice "which has considerably damaged the prestige of West Germany abroad."

The measure—the so-called "extremist decision"—has been in force for 13 years, and has attracted wide criticism as an infringement of human rights. In Saarland, however, only one person has been scrutinised under its provisions during the period, and no one barred from taking up a post in public service there.

Herr Lafontaine stands on the leftwing of his party, and it remains to be seen whether Saarland's example will be followed by any of the four other SPD-controlled federal states.

In electoral terms, however, both the Communist and NPD parties are negligible. In the 1983 general election the former won just 65,789 votes and the latter 90,901—in each case equivalent to 0.2 per cent of the poll. Neither is represented in the Bundestag, or in any state government.

Leaders from Comecon stress national issues

By Christopher Bobinski in Warsaw

COMECON leaders attending a three-day summit in Warsaw ostensibly devoted to stepping up economic integration and spurring technological progress have in a series of opening speeches stressed national concerns.

Mr Janusz Obodowski, the Polish Chairman of Comecon's executive committee, in a speech reviewing progress last year, admitted that the average 3.6 per cent real growth throughout the grouping could have been higher. But he blamed "aggressive imperialist circles, especially the Americans," for the results.

Mr Georgy Lazar, the Hungarian Prime Minister, implied that the prices of his country's food exports to other Comecon partners should be permitted to rise and suggested that technological research programmes should be better organised.

Mr Nikolai Tikhonov, the head of the Soviet delegation called for improvements in the quality of Comecon production so that it reaches "world standards." The Soviet Union, which is a major and increasingly unwilling raw materials supplier to Eastern Europe, is concerned at the poor quality of the goods which it receives in return.

Mr Tikhonov also called for decisions on greater integration taken last June at a Comecon summit to be implemented "more quickly." He said also that the Soviet Union was interested in "co-operation with the capitalist countries."

Mr Grisha Filipov the Prime Minister of Bulgaria, which has considerable achievements in electronics, stressed the need for greater co-operation in this field.

Oil ministers to press for cut in Opec prices

BY DOMINIC LAWSON IN MUNICH

TWO LEADING oil ministers of the Organisation of Petroleum Exporting Countries are to visit African member-states later this week in an attempt to persuade them to reduce official oil prices at next week's critical meeting of Opec ministers in Vienna.

At present, only Saudi Arabia, out of Opec's members, is sticking rigidly to official Opec prices and as a result is able to sell only about 2.3m b/d compared to its Opec quota of 4.3m b/d.

Saudi Arabia believes that a cut in the official price of heavy crudes, of which it is a major producer, is necessary. Since the end of the UK pit strike, it has been clear that the official Opec price of heavy oil—$26.50—is too high.

Saudi Arabia is threatening that if Opec does not agree to a more rational pricing structure at its forthcoming meeting, then the Saudis will "go to the market" and sell their oil at whatever price the market will take.

Light crude producers Algeria, Libya and Nigeria have stood firm against any cut in the heavy oil price because they fear it would make their own crudes less competitive.

But a trio of oil ministers, Sheikh Khalifa Al-Sabah of Kuwait, Sr Hendandez Grisanti of Venezuela and Sr Francisco Labastida of Mexico—the countries are all heavy oil producers—will this week warn their opposite numbers in Algeria, Libya and Nigeria that if they do not compromise then the whole future of official Opec prices is in doubt.

Mexico is not part of Opec and the presence of the Mexican minister in the delegation appears designed to impress on the African producers the global nature of the problem.

Latin American oil, Page 4

Turkish police secure sharp increase in power

BY DAVID BARCHARD IN ANKARA

PRESIDENT KENAN EVREN has ratified a law giving controversial new powers to Turkey's police force.

The law, which is intended to make it possible to lift martial law, gives far-reaching discretionary powers to policemen in matters affecting law and order and public morals and has been widely criticised as undemocratic by opposition parties and the EEC.

EEC officials have said that the law's passage would set relations between Turkey and the Community back by 10 years.

The President's ratification has come as a surprise. Some observers were predicting that he would either veto the law or refer it to the constitutional court.

The leading opposition party inside Parliament, the Centre-Left Populist Party, has said it will apply to the constitutional court for an annulment of the law. The court recently annulled legislation allowing foreign nationals the right to purchase land in Turkey after an earlier application to it by the Populist Party.

● THE Turkish Government is to put a further issue of revenue sharing certificates on the market next month as part of its privatisation programme. The issue will be worth a total of TL 100bn (£149m)

Tough times ahead for EEC appliance makers

BY CHRISTOPHER PARKES

THE 300 domestic appliance manufacturers in Western Europe face a testing period of restructuring and concentration similar to that which has transformed the U.S. industry in the past 25 years, according to Mr Vern Ketchen, a vice-president of White Consolidated Industries of Michigan.

The number of washing machine makers in the U.S. *shrunk from 60 to five between* 1960 and 1985, he told a meeting of international manufacturers and distributors in Milan at the weekend. Over a similar period, the number of companies making refrigerators and freezers for the mass market had fallen from 58 to five.

The factors which led to the overhaul of the American business were now applying irresistible pressures in the European Community.

Mr Frans Tielens, president of the Italian arm of Philips, the Dutch group, said his company was already well into the process of rationalisation. It had recently shut two Bauknecht plants in West Germany and last month announced the closure of a washing machine factory in Halifax, Yorkshire.

"Philips has made major financial sacrifices," he said. It was seeking internal restructuring and did not aim to harm the competition.

M Pierre Garcin, director general of Thomson Electromenager, part of France's Thomson Brandt group warned of the growing threat of cheap imports from East Europe which were damaging an already enfeebled EEC industry.

A process of concentration by absorption [illegible]

Small and medium sized companies which lacked the means to introduce new techniques and designs would disappear, he warned.

Manufacturers which relied heavily on exports were under most pressure. Those which concentrated their efforts on their own markets were in general doing well, he said.

Mr Bev Heslop, a strategic planning manager at Thorn EMI, the British group which focuses most of its attention on the UK market, also warned that the major mass producing companies were put at risk by the *rapid segmentation of the* market.

These companies are those which find it most difficult to adapt their production lines to the present demand for a wide range of styles and product types.

There are more than 100 different types of microwave oven on sale in the UK at present.

Mr Peppino Fumagalli, host of the meeting, and managing director of the family-owned Candy Elettrodomestici, gave a clear indication of the problem facing sectors of the Italian industry which had built their success on exports—often under other companies' brand names. Candy then been approached among others, about the possibility of helping Indesit, the troubled Italian mass producer.

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Romanian oil output drops

BY LESLIE COLITT IN BERLIN

ROMANIA *is experiencing* mounting difficulties with its once thriving oil industry as a result of serious neglect which makes it unlikely that the country will meet this year's oil production target of 12.6m *tonnes, 10 per cent more than last* year.

No statistics were released for 1984 oil output, however, although the Government said the plan was "not fulfilled."

The main Communist newspaper Scinteia recently published a scathing report on the oil industry which, to compound its own failures, was crippled for several months *during the severe cold last* winter.

The newspaper said "significant shortfalls" in oil production continued long after winter was over. At the beginning of May it noted some 800 oil wells were still awaiting overhaul, major repairs or flow tests.

Oil production sustains "serious losses" when such a large number of wells are idle, it said. Organisational "deficiencies", inadequate repairs, poor training of oil field workers and shortage of equipment and spare parts were blamed for the decline in output. *Scinteia* said the operating period of deep well pumps had decreased by about 40 per cent in recent years.

Romania was forced to import an extra 1m tonnes of oil earlier this year to compensate for its own shortfall as well as steep declines in domestic gas and coal output. This was thought to be one of the reasons why Romania has sought a $150m loan from Western banks in addition to the recent $80m short-term loan it obtained.

Romania recently reached agreement with the Soviet Union to obtain Soviet oil from 1986 to 1990 in return for partial payment in "soft" Romanian goods. In return Bucharest is to invest in Siberian oil field and pipeline development programmes. Some Western diplomats maintain that another Romanian concession was a noticeable toning down in criticism of the Soviet Union.

● Mr Gheorghe Sava, Romania's deputy minister of the chemical industry, was relieved of his post for misappropriation of funds. While director of the Chimpex company he was said to have built an illegal aquatic sports centre

Zimbabwe minister dies days before poll

ZIMBABWE Deputy Labour Minister Robson Manyika, a leading candidate in the country's first post-independence elections, to be held at the weekend, has died after suffering a stroke, writes AP from Harare. Prime Minister Robert Mugabe was expected to return to Harare for a state funeral from Mozambique independence celebrations. Lawyers said Mr Manyika's death would probably mean the poll in his constituency during the general elections this weekend will be postponed.

● Mr Mugabe and five other African leaders yesterday joined President Samora Machel for ceremonies marking the country's tenth anniversary of independence from Portugal. President Machel said in a speech on Monday night that rebels fighting his Government for most of the past decade had prevented Mozambique from attaining economic prosperity.

S. African N-plant

Koeberg, South Africa's only nuclear reactor, located near Cape Town, has been returned to operation after being closed since January, reports Jim Jones from Johannesburg. It had been closed since January for investigation of suspected flaws. The first unit of the French-built pressurised water reactor was brought into operation in March last year but the plant was closed when a routine inspection of the steel pipework of the second unit's cooling system was found to contain ferritic inclusions which could have been potential failure points.

Afghan pilots executed

Several Afghan air force pilots were last week summarily executed after they were charged with "active sabotage" and destroying 20 MiG jet fighters, Western military officials said yesterday. Mohamme dAftab reports from Islamabad.

The jets were destroyed at Afghanistan's Shindand air base on June 12. The sabotage incident had been described as "the largest single loss," suffered by the Kremlin-backed Babrak Karmel regime and Soviet forces in Afghanistan since the insurgency started there in December, 1979.

Western diplomats said the Afghan pilots destroyed the MiGs in retaliation for the execution of three of their colleagues early this year for refusing to bomb civilian areas around Herat.

Chinese coal industry

China's coal industry is plagued by overstaffing, low efficiency, poor safety and lack of mechanisation, according to Yu Hongen, who was appointed Coal Minister in a government reshuffle this month. Yu was quoted in a national news agency dispatch quoted by Reuter in Peking as saying that, despite great improvements in recent years, the general situation was "poor and backward." The target for coal production by the year 2000 is 1.2bn tonnes, up from 772m last year, with an industry budget of $11bn for the five-year period beginning next year.

Unsafe mines to close

Taiwan's parliament yesterday approved legislation which would eventually close the country's unsafe coal mines, where more than 280 miners were killed last year, writes Reuter from Taipei. About 80 of the country's 125 coal mines are to be shut. Seven workers were killed in the latest accident last week. An 0.5 per cent surcharge on energy imports over six years will be introduced to compensate operators and help unemployed workers. About $150m is expected to be raised, around half of which would be paid into a welfare fund.

50 Iraqi troops killed

At least 50 Iraqi soldiers were killed or wounded in an abortive attack in the Howeizeh marshes of southern Iraq, according to an Iranian news agency dispatch quoted yesterday by Reuter in Nicosia. The agency said the Monday casualties raised to 200 the number of Iraqi troops killed or wounded during the day.

ANC meeting pledges to step up attacks against South Africa

BY MICHAEL HOLMAN IN LUSAKA

THE African National Congress (ANC), the leading exiled nationalist party opposing white rule in South Africa, has ended a major conference in the Zambian town of Kabwe with a pledged to intensify its "political and military offensive" in the republic.

Mr Oliver Tembo, the organisation's president told a press conference in Lusaka that the week-long gathering which ended on Sunday had been "a council of war." It was attended by 250 delegates including commanders of Umkhonto We Sizwe, the ANC military wing.

The meeting took place, said Mr Tembo, against a background of growing conflict in South Africa in which nearly 500 people had died in the past ten months while the Government had continued military incursions into black-ruled states of the region.

Asked whether the ANC would broaden its definition of suitable guerrilla objectives to include "soft targets" such as civilians, Mr Tembo warned that "the distinction between soft and hard targets is going to disappear in an intensified conflict."

The ANC has in the past concentrated on military and economic installations or buildings associated with apartheid, although civilians have frequently been among the casualties. The South African Government itself attacked "soft" targets, said Mr Tembo, citing deaths from police action in black townships and the civilian losses in this month's raid on ANC offices in the Botswana capital of Gaberones.

Mr Tembo dismissed reforms introduced by the Government: "The apartheid system remains as murderous and aggressive as it ever was," said Mr Tembo. "It is not moving in any significant way."

The heavily guarded conference in the mining town of Kabwe, 100 miles north of Lusaka, is seen as one of the most important gatherings of the ANC since its inception in 1912. It represents the culmination of an intense reassessment of its military and political strategy, prompted in part by the pace of events in South Africa itself and in part by the non-aggression pact signed between South Africa and Mozambique in March last year.

The setback contrbiuted to a debate within the party about guerrilla tactics, with some members arguing that the time had come to include "soft" targets such as white farmers and white suburban shopping centres.

Two men killed in wake of sackings

By Anthony Robinson in Johannesburg

TWO BLACK men were dragged from a bus and hacked to death by an angry crowd in the black township of Mpophomeni near Howick in Natal on Monday night in what appears to be the latest incident in a two-year-old dispute involving the local subsidiary of the British-owned BTR Sarmcol Company.

According to local sources one of the men had recently been hired by Sarmcol which sacked its 900-strong labour force two months ago after a lengthy dispute over union recognition with the Metal and Allied Workers' Union (MAWU).

The mass firing, which the company said was decided upon only after two years of negotiations accompanied by what it claims was an illegal strike, go-slows and intimidation, was followed by the re-hiring of 850 new workers, a move which has bitterly divided the local community and lead to charges of blacklegging.

The Mpophomeni township was created 15 years ago when the Government forcibly resettled local blacks from the outskirts of white Howick to a new township 15 km away inside the borders of the Kwazulu homeland.

Up until now the unrest which has caused over 400 deaths in townships throughout the country since last September has left Kwazulu and Natal largely untouched. This is believed to be due partly to the discipline and organisational strength of the Zulu-based Inkhata Movement headed by Chief Gatsha Buthelezi.

The long-running dispute at BTR Sarmcol, however, has raised the temperature in the township and has been accompanied by a damaging black boycott of white shops and businesses in the area.

The union has accused the company of not abiding by the terms of the European Community code of conduct for black workers and is seeking support from the British Trades Union Council and the International Confederation of Free Trade Unions.

MAWU union organisers are also threatening to organise a sympathy strike in the two Dunlop plants in the Durban area following the recent takeover of Dunlop by BTR.

The company accuses the union of making demands which "effectively sought to take away important elements of managements right to manage the company and management's legal rights."

INVESTIGATIONS CONTINUE AFTER AIR INDIA DISASTER

Further security lapses emerge in Canada

BY BERNARD SIMON IN TORONTO

FURTHER evidence has emerged of possible lapses in security arrangements in Canada for the ill-fated Air India flight destroyed in mid-air off the coast of Ireland on Sunday.

A Canadian transport official said yesterday that Air India staff did not ask for further security checks of baggage on flight 182 after suspicions were aroused by three suitcases waiting to be loaded at the aircraft's last stop in Montreal.

Meanwhile, suspicions of a link between the destruction of the Air India aircraft and the almost simultaneous bomb explosion in a luggage cannister offloaded from a Canadian Pacific Air jet in Tokyo have been heightened by reports that some baggage on the CP air flight was to be transferred to an Air India aircraft in Tokyo.

The suitcases held back in Montreal were later found to contain normal travel gear, but questions have arisen why Air India's staff and airport officials, jointly responsible for security arrangements, did not order visual inspection of passenger identification of the remaining bags on the flight. All luggage loaded in Montreal was passed through X-ray equipment.

The chief of airport security has criticised Air India for not telling authorities about the three suitcases. A transport Department official said yesterday that security would have been tighter if a specific threat had been made against Flight 182.

Earlier, Canadian officials confirmed that an X-ray machine in Toronto, where Flight 182 originated, broke down after examining three-quarters of the suitcases on the flight. A hand held—but less effective—scanner was used to check the remaining luggage.

Security staff employed by a private company to check baggage at Toronto airport have alleged that they receive minimal training for their work.

Security arrangements at Canadian airports, regarded even before the Air India disaster as among the most efficient in the world, have been tightened on all overseas flights. The Government has ordered 20 extra X-ray machines and all baggage, whether checked or carried on board, is now either X-rayed or opened. Non-perishable cargo from Canada is being held at airports for 24 hours as a precaution against time bombs.

Canadian police are continuing their search for two Sikh extremists allegedly involved in an assassination plot against Indian Prime Minister Rajiv Gandhi during his recent visit to the U.S. According to local reports, one of the men had a ticket for the CP Air flight from Vancouver to Tokyo while the other arrived in Toronto shortly before departure of the Air India plane. A police official said yesterday that no arrests have yet been made.

INDIAN investigators assisted by Irish aviation experts were yesterday piecing together the larger fragments of the Air India Boeing brought ashore by the Irish Navy and other rescue vessels, our Dublin Correspondent reports.

Pieces of the wing flaps, the fuselage and an eight-foot long portion of wing had been landed by yesterday afternoon and were immediately examined by the inquiry team. Smaller pieces of wreckage have already begun to appear in the nets of trawlers outside the immediate search area, and the Irish Government has requested that all possible evidence should be reported to the authorities co-ordinating the search.

The hunt for the Boeing's inflight recorder, the "black box," continued yesterday. This part of the operation is likely to be greatly assisted by the arrival in Cork of a specialised seabed research vessel, the Guardline Locator, which has equipment capable of detecting the sound emitted by the device. The radio signal transmitted by the "black box" fades after 48 hours. One expert yesterday said that the audio signal could persist for up to three weeks, and could be picked up by sophisticated microphones.

The search for clues to the cause of the disaster is now being co-ordinated by HMS Challenger, and the RAF and USAF helicopters and aircraft which had borne the brunt of the initial stages of the recovery operation have now returned to their home bases.

John Elliott adds from New Delhi: A London company of undertakers, J. H. Kenyon, has been hired by Air India to identify as many as possible of the 131 bodies recovered from the jumbo jet crash.

"The chances of visual identification are extremely unlikely. So we have to put together scientifically assembled information about the victims gathered here and in Canada," said Mr John Sheldon, Kenyon's managing director, when he arrived in New Delhi last night.

Meanwhile, Air India has cancelled its next weekly flight to and from Canada. Mr R. K. Thadani, Delhi regional director, insisted last night that this was part of flight rescheduling because of the loss of the crashed jet, not because of fears about security in Canada.

Kenyon specialises in identifying bodies after major air crashes and other disasters. It has worked on air disasters in Abu Dhabi, Tenerife, Yugoslavia and Japan and has been in the business for over 30 years.

Relatives of the passengers in India and North America are being asked to fill in forms with personal identification marks including hair, beards and scars. Teeth are often a key method of identification but Mr Sheldon believes that dental records in India will probably be inadequate.

"With only 131 bodies recovered—and therefore about 200 not found—if everyone tried to go to the site an extremely large number of people would be very disappointed. I recommend no one should go—it could be very distressing," said Mr Sheldon, explaining why the Indian Government and Air India are recommending relatives to stay in India at least for the next few days.

"Hopefully we can identify some bodies and they will be repatriated to allow for cremation or burial," said Mr Sheldon. The work, being carried out by about 20 Kenyon employees in Ireland as well as representatives in Canada and India, could take between one and three weeks.

IMF team visits Sudan

BY JOHN MURRAY BROWN IN KHARTOUM

SUDAN'S RELATIONS with the IMF have reached a critical stage following the visit last month of Mr Abdel Magied, the Finance Minister, to Washington. An IMF technical team has arrived in Khartoum on what Sudanese officials are describing as a fact-finding trip.

Their findings could give an immediate filip to the ailing Sudanese economy is donors were to agree to release aid funds at present witheld pending some sort of go ahead from the Found.

This aid, in the form of balance of payment support, could help finance Sudean's payment deficit put at $400m (£311m. This in turn would put at make funds available to settle the $127m debt arrears with the IMF, a precondition to reccheduling of government and commercial debts which stand at $9bn.

However, IMF officials are believed to be concerned about recent statements by Mr Magiéd in which he said he did not favour a floating exchange rate and was not prepared to drop subsidies on commodities. Both these measures were insisted upon in the original IMF austerity programme set out last March. In a recent interview with the Financial Times the Finance Minister said he would "manipulate" the exchange rate so as to control the supply and demand.

WORLD TRADE NEWS

EEC puts definitive duties on Japan ball-bearings

BY PAUL CHEESERIGHT IN BRUSSELS

THE European Community is imposing definitive anti-dumping duties of up to 45 per cent on Japanese ball bearings of more than 30 mm diameter and on tapered roller bearings.

From the European side, the imposition of the duties signifies the breakdown of price arrangements reached with Japanese manufacturers in the late 1970s. The first defensive measures against Japanese ball bearings were taken in 1977.

Provisional anti-dumping duties were imposed last December. They ranged up to 31.34 per cent, the European Commission noted yesterday.

At the same time, provisional anti-dumping duties were also placed on Japanese electronic typewriters. Proposals are now under consideration to make those duties definitive as well, and confirmation of duties now running up to 43.7 per cent in the case of Brother industries, is expected shortly.

The ball bearings case follows anti-dumping investigations resulting in the imposition of duties on Japanese exports of hydraulic excavators and a chemical product called glycine.

Although officials in Brussels do not concede that there is a pattern in all these cases, noting that anti-dumping cases are only started on receipt of a complaint from industry, they illustrate the sensitivity of EEC trade relations with Japan.

Ball bearings, however, has traditionally been a delicate sector and the Commission is at present involved in investigations of alleged dumping from Poland, Romania, the Soviet Union and Thailand.

Commission investigations into the Japanese case have shown that the Japanese manufacturers have been selling on their domestic market at higher prices than those on the EEC market.

The Commission also concluded that dumped imports were the cause of depression in market prices and reduced profitability in EEC industry.

For tapered roller bearings, a 45 per cent duty has been imposed on Nippon Seiko. A duty of 22.7 per cent has been placed on Nachi Fujikoshi sales. Lesser duties are placed on NTN Toya Bearing and Koyo Seiko.

For ball bearings with a diameter of more than 30mm, the highest duty is placed on Izumoto Seiko at 21.7 per cent, followed by duties of 16.7 per cent on Nippon Seiko, 13.9 per cent on Nachi Fujikoshi and 10.7 per cent on Wada Seiko.

Lesser duties have been placed on NTN Toya Bearing, Koyo Seiko, FKC Bearing, Fujino Iron Works, Nankai Seiko and Sapporo Precision.

Tariff cuts fail to lift spirits

BY CARLA RAPOPORT

THE JAPANESE taste for foreign whisky and wine may increase over the next few years, but the main reason is not likely to be the tariff reductions on wines and spirits planned for the spring of 1987.

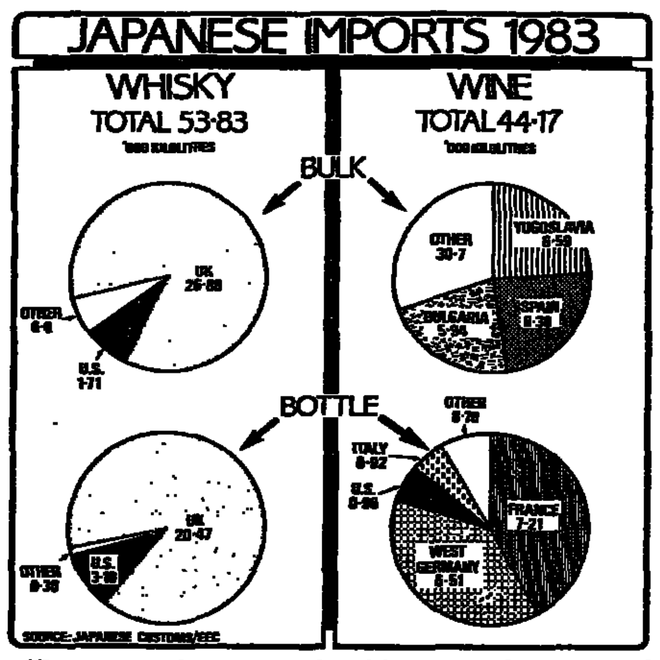
Imported whisky accounts for 6 per cent of the Japanese domestic market, nearly all of which is accounted for by British suppliers.

A leading importer yesterday pointed out that the plans to cut tariffs by 20 per cent will "make no difference" at all to his whisky business.

This is because the bulk of the Japanese whisky market is in the take-home trade. To enter the take-home business, a supplier must have a product priced between Y700 (£2.20) and Y2,000.

Taxes alone on imported whisky come to Y1,798, before shipping, storage, or landing charges. A 20 per cent reduction in tariffs will not scratch the surface of this problem.

"This won't get us into the main market. The key take-home trade is where all the volume is," said the importer yesterday.



In wine, where imports account for about 29 per cent of the market, and proposed tariff cuts may have a small positive effect in the quality end of the market.

Japanese spirit companies, however, greeted the news in a different light. A major spirits manufacturer, who asked not to be named, said: "We think it is big trouble for our industry, but we ought to co-operate with the Government on this."

Japanese to cut microchip spending

By Carla Rapoport in Tokyo

JAPANESE industry is planning to cut its investment in the semiconductor industry by 20 per cent in fiscal 1985, compared with a 98 per cent boost last year.

Announcing the investment slowdown, Japan's Ministry of International Trade and Industry (Miti) made a spirited defence against recent U.S. charges that Japan was building up capacity in the face of an anticipated slowdown in the chip industry.

"The American side (believes) we are ignoring market conditions, as if we were Martians, or members of a different species," said Mr Watasu Aso, an executive in Miti's International Trade policy bureau.

According to a survey of leading integrated-circuit manufacturers, including Sony, Fujitsu and Hitachi, Miti reported that plant and related equipment investment of 12 leading companies would amount to Y606bn (£1.8bn) in this fiscal year, against Y763bn in fiscal 1984.

Miti added that most of this year's investment was aimed at achieving cost reductions and quality improvements, not building additional capacity.

Miti also forecast that demand for semiconductor chips would drop by 13.5 per cent in the U.S. this year but increase by 14.5 per cent in 1986. The Japanese market, it predicts, will grow by 2.4 per cent this year and 14.5 per cent next year.

The Miti survey comes in the wake of an unfair trade complaint filed earlier this month by the U.S. Semiconductor Industry Association (SIA) under Section 301 of the 1974 Trade Act.

The SIA charges that the Japanese are keeping the U.S. out of their domestic market, building up capacity in the face of a downturn and selling semiconductor chips at below production cost in the U.S.

Further, they charge Japan with targeting their investments in certain segments of the market. These claims have been made in recent bilateral trade talks between the U.S. and Japan.

Spain goes ahead with plans for new combat aircraft

BY TOM BURNS IN MADRID

SPAIN'S public-owned aerospace company, Construcciones Aeronauticas (CASA), boosted by a series of export orders, is going ahead with plans to develop a new combat aircraft named the Ax, the company said yesterday.

The company is to begin design work on the future tactical aircraft which will be built primarily to replace the Spanish air force's F-5 units in the 1990s.

After a two-year sales dip, CASA has recently landed key orders for its existing product line and earlier this year the Spanish company was awarded a lucrative contract to maintain the U.S. air force's 100-odd F-15A units in Europe.

The company said agreement had been reached to sell 14 C-101/5 advanced jet trainers to Jordan in a deal worth $80m-$90m (£66m-£75m), and that there had been further orders for CASA aircraft from the U.S. and from Mexico.

The Spanish company hopes for further sales on the heels of the C-101/5 purchase. Jordan is expected to buy two CN-235 aircraft, the short take-off and landing commuter plane which has been developed jointly by CASA and the Indonesian aerospace company P. T. Nurtanio, and one C-212, CASA's versatile Aviocar.

The Jordanian CN-235s would be adapted for military transport use and the Aviocar modified to serve as an air reconnaissance aircraft.

CASA said it had also sold 10 Aviocar C-212s adapted for use as maritime patrol planes to the Mexican Navy. These are the first CASA products to be sold to Mexico and the deal, worth some $40m was negotiated during a visit to Spain by Mexico's President Miguel de la Madrid earlier this month.

Lufthansa in China venture

BY ROBERT THOMSON IN PEKING

LUFTHANSA, the West German airline, has signed a memorandum of understanding with China's national air carrier, for a two-phase technical co-operation project, and beaten a strong field of airlines competing for such an agreement.

The agreement, signed yesterday, will involve a one-year first phase, beginning on July 1, in which Lufthansa officials will act as technical management consultants, and help Civil Aviation Administration of China (CAAC) upgrade its workshops.

If both airlines find the first phase satisfactory, in the second phase they will set up a joint venture for the technical maintenance of aircraft in China.

Several airlines are said to have been courting Chinese officials in the hope of a similar project.

In announcing the agreement, Lufthansa's chairman, Herr Heinz Ruhnau, said that the two airlines "have agreed to take a step into the future together." He would not reveal how much that step will cost Lufthansa.

The West German Government has assisted the settlement of the agreement by financing training programmes in West Germany for technical and management personnel. Fifteen CAAC staff have just returned from a training course in the Federal Republic.

Herr Ruhnau also revealed that Lufthansa will increase its flights next year on the Peking to Frankfurt run from two to three a week, and increase the flights to four a week in about 1988.

He said that last year 13,700 passengers were carried on the route, an increase of 37 per cent on 1983, and it is expected that 18,700 passengers will be carried this year.

One problem the technical co-operation agreement will probably overcome is the lack of facilities and expertise in China for aircraft engine overhaul. CAAC now has to send its engines back to the maker for major maintenance.

For CAAC, the agreement is another step towards modernising its air fleet and service. Already this year, the airline has spent well over $1bn (£833m) to upgrade its fleet of aircraft, and has indicated that more purchases are on the way.

Herr Ruhnau said the just-signed technical agreement should increase the flying hours CAAC can expect from each aircraft in the fleet.

W. European move on air fares

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

INCREASED FREEDOM for the airlines in setting air fares in Western Europe is one of several ideas for improving the quality of air transport approved by the European Civil Aviation Conference (Ecac).

The body represents 22 of the major European civil aviation authorities, of which 20 approved a new joint policy statement on future European aviation development at the recent triennial meeting of Ecac in Strasbourg.

Among the other points approved were the need to ensure a more flexible attitude to market access for airlines, the need to pay more attention to the views of consumers, and a better control over aviation costs.

The decisions were described by Mr Noel McMahon, Secretary of Communications for Eire, the outgoing president of the ECAC, as being the starting point for "much detailed work that will need to be done."

He said that steps were already in hand for a review of the 1967 international agreement on procedures for establishing scheduled air fares in Europe, side by side with an examination of the possibilities for new pricing systems.

Imports to U.S. from Asia 'set to slow'

By Andrew Fisher, Shipping Correspondent

U.S. IMPORTS from Asia, which soared by more than 25 per cent in volume last year, are expected to slow to an annual growth rate of some 5 per cent in the second half of the 1980s, Mr Joseph Abely, chairman of the Sea-Land shipping group of the U.S., said.

"The Pacific rim area will continue to rank as the fastest-growing, highest-volume trade in the world," he commented when opening a new terminal on the north-west Pacific at Tacoma in the State of Washington.

Last year, two-way trade volume on routes between mainland U.S., Alaska, Canada and Asia, all using Tacoma, rose by 15 per cent, nearly double the growth in world trade, Mr Abely said.

Sea-Land's own investment in its north-west Pacific service would exceed $500m (£416m), Mr Abely added. Despite the likely slow-down in U.S. imports from Asia, the growth rate would be "still healthy."

As new capacity comes on to Pacific and other world container routes, world lines are seeking rationalisation deals with competitors.

Japan Line was yesterday reported as saying from Tokyo it would withdraw from its joint service with four other Japanese operators to New York and combine with Evergreen of Taiwan.

From Taipei, Evergreen acknowledged that Japan Line was keen to make such an agreement, but said there had been no firm negotiations.

Isuzu plans bus chassis plant in U.S.

ISUZU MOTORS, the Japanese vehicle manufacturer, is to establish a bus chassis assembly plant in the U.S. early next year. Initial investment will amount to around $3m at a site in Russellville, Kentucky.

The move, which mirrors similar U.S. investments by other Japanese motor groups, follows Isuzu's steady expansion in the U.S. market for light trucks and buses through direct exports.

AMERICAN NEWS

U.S. durable goods orders climb 4.1% but gloom persists

BY STEWART FLEMING IN WASHINGTON

MR Malcolm Baldrige, the U.S. Commerce Secretary, yesterday called for early action to cut the federal budget deficit in order to revive the sluggish manufacturing sector.

Mr Baldrige's comments followed the release of data showing that new orders for durable gods in May climbed 4.1 per cent. But the increase was largely due to volatile military orders: excluding the defence sector, orders rose by 1.1 per cent.

Excluding the military sector, the Commerce Department report on orders for household durable goods and capital goods in May shows some recovery from the March and April data when significant declines were registered. But the changes will do little to lift the gloom hanging over the manufacturing sector where production has been stagnant for almost a year.

Mr Baldrige's comments on the need for budget action come amid fears of a stalemate in the budget conference committee of the Senate and the House of Representatives. Democratic leaders warned that if the talks fail they will begin to push ahead with the process of appropriating funds without waiting for a budget resolution to be passed. Such a move could endanger some of the savings Senate Republicans are seeking in their budget resolution.

Reuter adds from Washington: The U.S. dollar is about 40 per cent overvalued, according to a study released yesterday by the Institute for International Economics, a private economic institute. The study proposed replacing floating exchange rates with a system in which governments would adopt policies designed to keep currency values within specified target zones.

A meeting in Tokyo last week of the finance ministers of the leading industrial economies concluded there was no real alternative to floating exchange rates. The White House is also opposed to the target-zone concept and says the strong dollar reflects confidence in the U.S. economy.

Mr John Williamson, the institute's senior economist, said the overvalued dollar was a major reason behind the U.S. becoming a net debtor nation.

Mr Williamson also estimated the value of other currencies at which national trade accounts would be in balance.

Using this measure, he said, sterling was overvalued by about 15 per cent, the Japanese yen was undervalued by 12 per cent, the Deutsche mark by 13 per cent and the French franc by about 5 per cent.

CHILEAN OPPOSITION MOUNTS AN ANGRY CAMPAIGN

Nasa plan to extend Easter Island airport sparks heated debate

BY MARY HELEN SPOONER, RECENTLY ON EASTER ISLAND

THE TINY Chilean territory of Easter Island, home to the mysterious volcanic rock statues known as Moai, has become the focus of a heated debate in General Augusto Pinochet's Chile.

The U.S. National Aeronautic and Space Administration (Nasa) has requested permission to lengthen the South Pacific island's only landing strip—for use as an emergency landing site for its space shuttles.

Chilean military officials have indicated they favour the project, which will ultimately be approved or rejected by General Pinochet. But Chilean opposition groups, suspicious of the Reagan Administration's motives, are mounting an angry public campaign against the Nasa proposal.

One of the most vociferous opponents of the project is Sr Radomiro Tomic, a fiery former parliamentarian, ex-presidential candidate and former Chilean ambassador to the U.S. Sr Tomic, who has made dozens of public presentations before university students, trade unions and professional guilds, warns that the Nasa project has potential military uses and, as such, could convert the island into a military target during a war between the superpowers, as well as damage the area's ecology and archaeological treasures.

The U.S. embassy in Santiago has been slow to respond, perhaps fearing that engaging in such a debate might jeopardise the Pinochet's regime's approval of the project. According to embassy officials, the nasa plan calls for extensions at either end of the airstrip by a total of 1,400 ft and the installation of new runway lights and other landing equipment.

A Chilean design company is putting together plans for the airstrip extension, which would be built by Chileans under Nasa supervision. The cost of the extension is estimated at under $10m (£7.8m), with Nasa providing landing equipment worth another $4m-$5m.

"All the proposed equipment is used at the Santiago airport every day, so the argument that this could be used as some secret military base just does not hold water," said Mr Joel Cassman, the U.S. embassy's science officer who is working on behalf of Nasa during the negotiations.

According to Mr Cassman, there would be no permanent U.S. presence on the island, but Nasa technicians would come to Easter Island three or four times a year during shuttle launches from California.

For the approximately 1,200 Easter Islanders, the Nasa-Chile negotiations are just one more sign of official insensitivity to their needs. Ever since Chile annexed the island in 1888 relations between the Polynesian-descended islanders and mainland Chileans have been uneven, despite the fact that Chile spends more than it receives in revenues from the island.

Many Easter Islanders say they favour the proposed Nasa project, believing it would bring more tourism and badly needed jobs to the area.

But community leaders complain that Chilean authorities have not bothered to explain the proposed Nasa project to them and indicate they must, therefore, oppose any such programme undertaken without their involvement. Sr Alberto Hotus, president of the island's Council of Families, noted ironically that the U.S. ambassador had visited Easter Island and inquired what his organisation thought of the Nasa project, but that no Chilean official had done likewise.

President Augusto Pinochet of Chile has agreed to open formal negotiations with Washington over Nasa's space shuttle landing strip, Reuter reports from Santiago. Sr Jaime del Valle, the Foreign Minister, told reporters that he would meet the U.S. Ambassador, Mr James Theberge, soon to discuss the request. He said a committee of ministers, whose report Sr Pinochet received this week, had recommended negotiations under certain unspecified conditions.

Ecuador seeks informal Latin America oil pact

ECUADOR, WHICH depends on oil for most of its export earnings, is seeking an alliance among Latin American and Caribbean petroleum producers to avoid a sharp drop in oil prices, a Government official said, AP-DJ reports from Quito.

Sr Fernando Santos, Deputy Minister of Natural Resources and Energy, said President Leon Febres Cordero wants to reactivate an informal alliance of oil-producing nations made up of Mexico, Venezuela, Ecuador and Trinidad.

Venezuela and Ecuador also belong to the Organisation of Petroleum Exporting Countries (Opec).

Sr Febres Cordero believes an alliance of the four nations would protect their interests before Opec and on world oil markets, Sr Santos said.

Opec meets on July 5 in Vienna under heavy market pressure to lower the price of oil.

Ecuador, a tiny producer, is one of the members of Opec accused of producing more than its assigned quota and faces the threat of rejection from the organisation because of violation of production guidelines.

Ecuador says it is forced to maintain higher production to bolster the nation's oil-dependent economy.

In recent months Ecuador has been producing an average of 280,000 barrels a day, which is 100,000 barrels above the quota assigned to it.

Alberta to cut energy royalty rates

By Bernard Simon in Toronto

THE CANADIAN province of Alberta is to cut its royalty rates on oil and gas production as part of a package to stimulate the energy industry.

The incentives are expected to be worth C$1.4bn (£800m) a year to oil and gas companies which are also due to benefit handsomely from a series of tax concessions announced last March by the federal government.

Royalty rates on "old oil" (discovered before 1974) will drop from 45 per cent to 40 per cent, with the rate on "new oil" falling from 35 per cent to 30 per cent. A system of cash grants, which has tended to reward drilling activity rather than success, will be replaced by royalty holidays of one oyear worth up to C$1m per well. The holidays of one year worth 1988.

Alberta and other oil-producing provinces in Western Canada agreed earlier this year to pass on to the industry the benefits of decontrol of domestic oil prices, which has raised the well-head price of almost half of Canada's oil output. Provincial authorities in Alberta said higher sales of oil and gas leases are expected to cover lower royalty revenues under the new rules.

W. L. Luetkens, recently in Montreal, examines the political fortunes of the nationalists

Quebecois drift away from their ailing Parti

GLEAMING new glass and steel office blocks in downtown Montreal testify to a thorough change of outlook in Canada's second city and the French-speaking province of Quebec.

Less than 10 years ago Montreal appeared to be in rapid and irreversible decline, accelerated by economic difficulties in Canada and, above all, the return in 1976 of a Quebec Government dedicated to wresting sovereignty for the province from Canada. That phase has come to an end for all to see with the decision of M Rene Levesque to resign as head of the Parti Quebecois (PQ) and, subsequently, as premier.

In an oddly contradictory sort of way, the bustling new office blocks between the broad St Lawrence river and wooded Mount Royal in Montreal are both gravestones over the PQ's ambitions to make Quebec sovereign and monuments to its success in giving French-speaking Quebecers a new mood of self-assurance.

That mood, for the time being, has removed much of the urgency behind the wave of nationalism which built up in Quebec during the 1960s and 1970s, reaching its climax with the installation of M Levesque as premier in 1976.

M Levesque read the signs correctly when, last year, he began to turn away from separatism. In January of this year he persuaded a party conference to remove the issue from the prospective platform for a difficult election which will have to be held by the spring of next year.

He split the PQ by doing so without, judging by available polls, reviving its fortunes in public favour. At the moment it is trailing far behind a re-vigorated Liberal Party under M Robert Bourassa, the very man whom M Levesque routed in 1976.

A period of confusion, corruption and confrontation with the construction unions then proved the Liberals' downfall. The PQ had promised good government though it made no secret of its aspirations for a sovereign, social democratic Quebec. But sovereignty was rejected by the electorate in a referendum held in 1980. Social democratic ambitions fell victim to the world-wide trend for less government which did not stop at the borders of Canada or Quebec.

A disastrous day for four by-election defeats on June 3 must have been the decisive event that caused M Levesque, 63 years old and obviously under strain, to decide to retire from office. It also cleared the way for a fight to the finish in the PQ between *pur et dur* hard-liners and moderate nationalists prepared to adopt the federal option.

Pierre-Marc Johnson: moderate Quebecer

M Pierre-Marc Johnson, a man of widely recognised ability, is standard bearer of the moderates and appears to have the best chances of securing a majority of the PQ membership at a leadership convention on September 29. No less important, M Johnson stands the best chance to woo back voters who have drifted off to the Liberals. M Bourassa attracted enough criticism during his period as premier for present Liberal strength to appear a bit suspect.

Whichever government eventually emerges in Quebec, it is a safe assumption that the eclipse of separatism is not the end of Quebec nationalism. Quebec Governments always have striven to increase the province's freedom of action, even if they did not challenge the principle of federation. All have wished in their various ways to preserve the special identity of the Quebecois. Moreover, if circumstances change separatism could rapidly re-emerge as a political force.

Its present quiescence can be attributed largely to a change of priorities among the Quebec middle classes. Having finally broken the English-speakers' monopoly of power in business management, they no longer find it necessary to agitate for more competences for a provincial administration in which they have always been well represented.

There is a clear path through the past 25 years, closely linked with the quicksilver personality of M Levesque. As a Liberal Minister in 1960-66 he carried through the take-over a group of private power companies. From that grew Hydro-Quebec, one of the great North American utilities and stamping ground for Quebecois managerial talent. In 1977 Mr Levesque's PQ Government put through the celebrated Bill 101 or Charter of the French Language which was intended to make French the language of government and business in Quebec.

The English-speaking quarter of the Quebec population hated that bill (though it could fairly be argued that they enjoyed better minority rights in Quebec than French Canadians did in the rest of the country). Several important headquarters of all-Canadian compaines left for Toronto or remained as mere shells with the actual managing being done from Toronto.

There has grown up in their place a new, more limited business centre. Though, for instance Alcan, Canadian Pacific Airlines, Canadian National Railways and Air Canada head offices remain in Montreal, much of the new activity in the financial centre is conducted by francophones for francophone clients.

Mr Brian Mulroney, the Canadian Prime Minister and himself a Quebecer, has been in no hurry to accept M Levesque's overtures for an overall settlement enabling Quebec to adhere to the Canadian constitution accepted by the rest of the provinces in 1981. Given the uncertain outlook in Quebec politics, that is hardly surprising. But even the politically interested in Quebec concede that the constitutional argument has become a bore. There could be no greater change from the passions of 1976.

UK NEWS

Nutritional labelling to be mandatory

THE MINISTRY of Agriculture is to press ahead with plans to bring in compulsory nutritional labelling on food products.

This follows the publication yesterday of a joint research report by consumer groups which revealed a strong demand for more information about the nutritional content in food but some concern about the information being too complicated to understand.

The regulations outlining the sort of nutritional information to be included on food products are expected to be laid before parliament by the end of the year.

The research report, published jointly by the Consumers' Association and the National Consumer Council, was based on two studies of consumer views towards information on labels.

A survey of 820 adults found that nearly three quarters thought that nutritional labelling would be "very" or "quite" useful to them personally, while 85 per cent thought it would be useful to others.

Vitamin content was the information most wanted by consumers – mentioned by 32 per cent of the survey – followed by fat content (18 per cent), protein (18 per cent), calories (15 per cent), carbohydrates (11 per cent), fibre/dietary fibre (11 per cent) and sugars (10 per cent).

Discussions with consumers found difficulty with some nutritional terms, such as kilojoules and trans-fatty acids.

"The results suggest that consumers prefer food labels which set out the information in plain, simple terms," says the report." But they disliked labels which they thought were telling them what they should or should not eat."

The two consumer bodies have recommended that the British Government should adopt the term "calories" in its proposals for labelling. "We appreciate that this goes against current EEC rules but think that the evidence from this study is sufficiently strong to enable the UK to make a good case for going it alone and then seeking to persuade the EEC to change its rules," they said.

The pressure for giving more information on labels followed the publication last year of a report by the Committee on Medical Aspects of Food Policy which drew attention to Britain's abnormally high mortality rate from heart disease and linked it with the high fat content of the average diet.

□ MR ANDREW READ, chairman of Imperial Tobacco, is to join the chairman's committee of Imperial, the brewing, leisure and tobacco group and not Mr John Bloxcidge as was incorrectly stated in the Financial Times yesterday. Mr Bloxcidge, at present president and managing director of Wilkinson Sword Consumer Products division, has been appointed managing director of Imperial Tobacco.

□ GLOOMY first-half profits forecast by Racal Electronics triggered heavy selling of electrical and electronics shares on the London Stock Exchange.

Racal's own share price closed at 156p, down 38p on the day, after touching 150p one stage. Several other industry leaders also hit new lows for this year, including GEC, which closed at 166, down 2p and STC at 132, down 4p. Racal forecast that pre-tax profits for the six months to September 30 would be less than half the £47.2m earned in the same period last year.

It blamed increased investments in its cellular radio network, higher interest charges and a slowdown in U.S. orders.

Lex, Page 16; Company News, Page 22; Market report, Page 36

Export embargo list attacked by software groups

BY CHRISTIAN TYLER, TRADE EDITOR

BRITISH electronics and computer software companies are in revolt against proposed export controls which they say would greatly hamper their foreign sales.

The target of their campaign is a government order, published earlier this month, that would from July 25 include in British law the new embargo list drawn up by Cocom, the Paris-based committee of Nato countries and Japan that tries to stop militarily useful technology reaching the Soviet Union and its allies.

British companies say the list is drawn too widely, especially in its new controls over computer software, and that sales to all markets, including the U.S. and Europe, could be impeded.

Parliamentary opponents of the order, led by Mr Paddy Ashdown, the Liberal MP, yesterday succeeded in having the subject put down for debate on July 17 in a committee of the House of Commons.

Meanwhile, the British Computer Society and the Institute of Electrical Engineers said they would be writing to Mr Paul Channon, Trade Minister, demanding a major redraft of the proposed controls and more time for public debate.

The Computing Services Association, which speaks for software houses, is expected to join the protest.

Opponents of the order say it will be unenforceable in the software field and that instead of a general prohibition, subject to exceptions, the Government should publish a much smaller list of banned products whose military application was obvious.

Mr Martyn Thomas, chairman of Praxis Systems, a small software company, said: "The effect of the Cocom rules is likely to be fairly devastating to an important part of British industry. A substantial number of people will have to stop exporting overnight."

The UK was already running a trade deficit on information technology products of £2.3bn a year, of which £1bn was in software, he said.

If carried out in their present form, the controls could also limit academic freedom, Mr Thomas added.

A monitoring group of the British Computer Society, which met on Monday, heard that a forthcoming software engineering conference at Imperial College, London, might have to be cancelled because the programme committee includes delegates from the Eastern bloc.

In a parallel move, Mr Ashdown has challenged Sir Michael Havers, the Attorney General to deny that U.S. export control laws are infringing the sovereignty of the British courts.

His move is part of a long-running British complaint about the extra-territorial application of U.S. laws to British and European computer firms.

Fewer Catholic recruits at Shorts

By Our Belfast Correspondent

SHORT BROTHERS, the state-owned Belfast aircraft company, disclosed yesterday that the proportion of Roman Catholics among its new recruits had fallen. But it flatly rejected claims of discrimination in favour of Protestants.

Allegations – mainly from Irish-American groups in the U.S. – that the company discriminated against Catholics reached a peak last year during Short's successful bid to supply Sherpa transport aircraft to the U.S. Air Force.

The company yesterday reported on the progress of a programme of action to redress the religious imbalance in its labour force. The programme was agreed with the Fair Employment Agency, a statutory body, in 1983.

The agency had estimated that only between 5 and 10 per cent of workers were Catholic. Shorts aimed to increase the percentage of applications from Catholics to 20 per cent and, in the period April to December 1984, it managed to boost its proportion to 26 per cent.

However, the percentage of Catholics hired in that period was 14 per cent, against 17 per cent in the period October 1983 to March 1984. The company said both it and the agency had been unable to find any specific explanation for this change in the trend.

Sir Philip Foreman, Short s chairman, said the company's employment policy was completely opposed to religious discrimination.

De Lorean alleges entrapment conspiracy

BY JOHN GRIFFITHS

MR JOHN DE LOREAN, the former chairman of the failed Belfast sports car project, claimed last week that the UK Government, the De Lorean receivers and the FBI took part in "a very deep conspiracy" to entrap him on the drugs charge on which he was subsequently acquitted.

Mr De Lorean alleged that he had been deliberately given extensions of time by the Government and receivers to come up with further funds for the project to allow him to proceed in his negotiations with U.S. federal agents posing as drugs dealers.

He was speaking on ITV's World in Action television programme in his first public interview on the collapse of the project, which led to the loss of £77m of UK taxpayers' money. He said he and his associates would offer a £100,000 reward to anyone in the UK coming up with information to prove his assertion.

Mr De Lorean, who grew increasingly nervous and flustered – and eventually walked out on his interviewer – claimed that it was the UK Government which was responsible for the project's collapse.

The Conservative Government, he said, had "destroyed" the company by saying no to any further funding. The Government had destroyed it by "a slow strangulation – even relatively min scule amounts of funds needed for various operations were prohibited."

Mr De Lorean denied there had been any extravagances but did admit that, as the company's problems mounted, "I became almost egomaniacal. My arrogance, looking back on it, was extreme. When I realised the Government's support was gone, if I were a prudent, rational businessman, I would have just taken a walk. I wouldn't let the dream die because of the terrible pride I had."

He refused to comment on the issue of $17.6m which should have been used to pay Lotus for developing his sports car. The money was paid by U.S. investors and the Belfast subsidiary into a Swiss-based company, GPD Services, and thereafter, said Sir Kenneth Cork, the receiver, "it went walkabout."

Subsequently, $8.9m has been traced to Mr De Lorean's account, the remainder being still missing. U.S. investigators have said they intend to ask for fraud charges to be pressed against Mr De Lorean in connection with the GPD mystery. The other main party to the GPD deal, Lotus's founder Mr Colin Chapman, is now dead.

Last night Mr De Lorean professed his innocence with regard to GPD and said that "within a few months the whole world will know what happened and I will be vindicated." Pressed further on the subject, he walked out of the interview.

Forecasters more optimistic about prospects for growth

BY MAX WILKINSON AND JOHN CASSIDY

FT AVERAGE OF FORECASTS
(Percentage change over 12 months at 1980 prices unless otherwise stated)

	1985	1986
GDP	3.3	2.2
Consumer Spending	2.4	3.0
Exports	6.9	3.2
Imports	4.9	4.1
Retail Prices (4th Qtr)	5.5	4.9
Unemployment (adults million, 4th Qtr)	3.2	3.2
Balance of Payments		
Current Account (£bn)	1.9	1.8
PSBR (financial years, £bn)	7.9	8.0
Sterling Index (1975 = 100)	76.6	76.3
Interest Rates (3-month interbank)	11.2	9.3

ECONOMIC forecasters have become slightly more optimistic since the budget last March about the prospects for growth of the UK economy this year and next. But the consensus is that inflation will be a little higher than was earlier expected.

The latest Financial Times average of forecasts shows some unusually wide variations. The confederation of British Industry and the City University Business School predict more than twice as much growth this year (4 per cent and 4.2 per cent respectively) as the most pessimistic forecaster. That is the Society of Business Economists, which predicts 1.8 per cent.

Liverpool University, which has traditionally been among the most optimistic about future growth prospects, is now close to the consensus of the Treasury and the major independent forecasters for this year's prospects. It predicts 3.4 per cent, but it is the only one of the 26 forecasts to predict a substantial acceleration of activity next year, to 4 per cent.

Of the 3.2 per cent average growth forecast for this year, about 1 percentage point represents the effect of the recovery from the year-long miners' strike which ended in March. The underlying picture, therefore, is of steady growth of about 2 per cent a year, which the London Business School believes will be sustained until 1988.

The National Institute, on the other hand, remains true to its belief that the economy will slow down in the absence of a specific stimulus to demand. It expects 3.2 per cent growth this year and 1.2 per cent in 1986.

Oxford Economic Forecasting and the Item Club, which both use the Treasury model, are more pessimistic in their growth forecasts (both 2.9 per cent) than the official budget predictions.

Item, which is a group of business economists, suggests that the Treasury's inflation forecast of an annual rate of 4½ per cent by the middle of next year could well be achieved.

The Government's claim that the recent high inflation figures (7 per cent in May) will be temporary is widely believed by the independent forecasters. The consensus puts the inflation rate at 5½ per cent by the fourth quarter of this year, only ½ percentage point ahead of the Government's budget prediction.

The City, with its consensus forecast of 6 per cent, is markedly more pessimistic than the large independent institutions.

There is general agreement about the shape of the recovery this year, with most forecasters expecting consumers' expenditure to rise by about 2½ per cent this year and 3 per cent next year, partly as a result of the continued tendency for wage rises to outstrip prices.

There is a general feeling in the City that the Government's financial position will be under pressure, with the £7bn public sector borrowing requirement target for this year likely to be overshot by perhaps £1bn.

For next year, the London Business School and the National Institute are both sceptical whether the Government will have scope for the £3.5bn of tax cuts planned in its medium-term financial strategy. This view gets broad backing from the City estimates for next year's borrowing requirement.

All these forecasts are subject to a large margin of error.

The forecasters all expect interest rates to remain fairly high in real terms after adjusting for expected inflation. For 1985, no forecaster expects interest rates to fall from the present 12½ per cent (base rates) to below 10 per cent.

The forecasts are not all strictly comparable, since they are based on slightly different assumptions and definitions. The FT average therefore gives a broad guide to the consensus rather than being a forecast in itself.

Nationalisation terms defended

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN STRASBOURG

THE BRITISH Government yesterday justified its defence of the 1977 nationalisation of aircraft and shipbuilding companies, the terms of which it has described as "grossly unfair and unjust."

The Conservative Government told the European Court of Human Rights in Strasbourg that, though the consequences of the then Labour Government's nationalisation had been unfair to shareholders, it had been carried out in accordance with the law and did not violate the European Human Rights Convention.

Eleven former shareholders in nationalised companies have accused the Government of a "blatant contradiction" in its approach to their claims for more than £455m in extra compensation and interest for the loss of their holdings.

On the one hand, they said, the Government had acknowledged that the £125m compensation paid had been grossly unfair; on the other it had claimed that a fair balance had been struck between the public interest and shareholders' rights, resulting in compensation reasonably related to the values of their shares.

Yesterday Mr Robert Alexander, QC, for the Government, said that a method of compensation considered fair by a government of one political complexion did not become incompatible with the Convention because the Opposition had described it as unjust.

"This remains true if that Opposition becomes the government and that, consistent with its previous stance, describes its predecessors' chosen means as 'grossly unfair.'

"Strong language may characterise debate about a choice between two methods of approach. Either of them may, however, be compatible with legal obligations," he said.

It would be unfortunate, Mr Alexander added, if – merely because such differences existed – any government were to take the view that only its approach was lawful.

The shareholders' frequently laboured point about contradiction sounded good but did not take the legal issues any further, he said.

The claimants are: Sir William Lithgow, who held a substantial holding in John G. Kincaid & Company; Vosper, in respect of its subsidiaries Vosper Thornycroft (UK) and Vosper Shiprepairers; English Electric Company and Vickers, which jointly owned British Aircraft Corporation (Holdings); Vickers, in respect of its sibsidiary Vickers Shipbuilding Group; Yarrow, which owned Yarrow (Shipbuilders); Dowsett Securities, Investors in Industry and the Prudential Assurance Company, which were joint owners of Brooke Marine, an East Anglian shipbuilding company; and Banstonian Company and Northern Shipbuilding & Industrial Holdings, which owned Hall Russell & Company.

Their contention, rejected by the European Human Rights Commission last year, is that the manner in which they were compensated was a violation of Article 1 of the first protocol to the Convention, which guarantees property rights.

Central to their case is their complaint that their unquoted shares were valued for compensation purposes on the basis of a hypothetical stock exchange quotation over a six-month period to February 1974, and not on their market value at nationalisation in 1977.

Mr Alexander said that it had been decided that the use of a stock exchange quotation was likely to be more objective and expeditious than other possible methods. It would enable account to be taken not only of asset values but also of anticipated future earnings and dividends.

It was also the most appropriate method for valuing various classes of shareholder in companies whose structure differed widely.

The February 1974 period had been chosen to eliminate unfairness through share price distortion resulting from the nationalisation announcement. It also accurately reflected the mid-point of the market over the past three to four years.

Valuation at nationalisation would have created maximum uncertainty.

Mr Alexander rejected the shareholders' contentions that property had an "intrinsic value" which had to be reflected in compensation; that valuation at the date of nationalisation was the "norm;" and that the Government had accepted the shareholders' own valuation of their shares as representing fair compensation.

He said that Article 1 required property to be valued by a bona fide, well-established method, and that had been done in this case.

It was not for the Strasbourg court to decide what the compensation should be. It was not a claims commission or international valuation tribunal. Its task was to see whether the human right to peaceful enjoyment of property had been violated, which did not depend on mathematical calculations and accounting procedures.

It should, he said, focus consideration on the real and non-illusory quality of the compensation and on the choice of a well-tried and appropriate method, applied without malice and discrimination.

The hearing will be completed today.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

INDUSTRIAL COLLABORATION

Why European marriages keep turning sour

Ian Rodger reports on the failure of trans-national mergers

PERHAPS EUROPEANS don't like each other very much.

That may be the best way to explain why European industrialists have failed, by and large, to realise one of the dreams of the post-war period—the creation of strong trans-European companies and industries.

This is not to say that all European companies have remained small and parochial. A very few, such as Philips and Unilever, have long been well established throughout Europe and elsewhere. Others too have become large and multinational in their operations but many of them do more business today in the U.S., Australia or Brazil than in their neighbouring European countries.

On the other hand, American companies, such as Ford and IBM, seem to be able to operate on a trans-European scale more easily than European companies. European managers, it seems, would rather make deals of all kinds—marketing, technology, manufacturing—with U.S. and Japanese rivals than with the folks next door.

There may be good reasons for remaining French, Italian or Dutch rather than becoming European. But in a world in which U.S. and Japanese companies exploit their large home markets to the full, it seems perverse that many large European companies still do not look on the whole of Europe as the primary source of their revenues, technology and manpower.

Even in important new product areas, such as robots, while the U.S. industry has already shaken down to three large and internationally competitive players, each European country still has a number of hopeful small producers. Aema Cribier, for example, has a 30 per cent market share in France, but is little known outside that country.

There are, of course, some outstanding examples of companies and industries operating on a trans-European scale. The chemical sector is perhaps the best example of a whole industry competing across the Continent. Another trans-European manufacturer is the French St-Gobain group which, in addition to its operations at home, makes glass and glass products in West Germany, Italy, Belgium and Spain and iron pipe in West Germany, Italy, Spain and Britain.

However, the key to St-Gobain's presence in other European countries is history. Many of its operations in West Germany and Italy date from the 19th century. Company executives readily acknowledge that it would be far more difficult today, given the mature and overcrowded state of most industrial sectors in Europe, to build up such a presence

In many sectors, companies have been able to build up market shares in neighbouring European countries merely through strong sales and distribution networks, but in some major areas, the only practical routes to trans-European scale are through buying market share by way of mergers, acquisitions or associations.

None of these routes is ever easy. And a particular problem for trans-European projects is that, in many industries, the leading national companies in Europe tend to be roughly the same size. This makes it difficult for any one of them to take a leadership position by making a clearcut takeover. Thus, they have tended to try to negotiate true mergers, in which both partners continue to share in the ownership and management of the combined group.

A considerable number of trans-European mergers was attempted in the 1960s and 1970s, and they were, without exception, disastrous. One between Agfa and Gevaert, the West German and Belgian photographic equipment groups, was formed in 1964 and ended in a takeover by Agfa, a subsidiary of the Bayer pharmaceutical group, in 1981. VFW and Fokker, the West German and Dutch aerospace groups, merged in 1969 but went their separate ways in 1980 mainly because of conflicting national interests and the resulting inability to agree on model priorities. Dunlop and Pirelli, the British and Italian tyre groups, came together in 1971 but split up in 1981, with Dunlop in ruins. Hoesch and Hoogovens, the German and Dutch steel companies, merged in 1972 and parted acrimoniously a decade later.

What is particularly galling in the case of Estel, as the Hoesch-Hoogovens merger was called, is that the two participating companies have become much more successful since they split than when they were together.

One key factor that tends to undermine mergers is the absence of a single European Companies Act. This means that the merging companies must either agree to incorporate the combined entity in one jurisdiction or take equal shares in each others' operations in the existing jurisdictions. The former course is usually unacceptable to one of the partners for reasons of national pride, but the latter is fatally flawed in that it dissipates control and facilitates dissolution if things go sour.

The Estel and Dunlop-Pirelli cases illustrate these problems.

Both mergers were designed with a view to growth and success, and at the time they looked like world beaters. The idea of combining a modern coastal steelworks in the Netherlands with the best rolling mills in the heart of the huge Ruhr steel market seemed brilliant. Similarly, Dunlop's market strengths in northern Europe and the Commonwealth complemented Pirelli's base in southern Europe, the Middle East and Latin America. There was not even any conflict in their non-tyre operations. Dunlop brought plantations and sports equipment to the merger and Pirelli brought a large cable business.

But almost immediately after their formation, the directors had to deal with a sharp decline in their markets and major financial losses. Tensions developed over problems that no one had foreseen. "If you are in a situation where you have to cut capacity, things get very rough," Dr Detley Rohwedder, chairma nof Hoesch, says "There is nil solidarity between the two partners. Neither is willing to sacrifice for the other."

As it happened, this manifested itself in an unusual way. The Estel chairman was Dutch and he was naturally squeamish about imposing the necessary closures an dredundancies at Dortmund in the Ruhr, to the annoyance of the German directors. The Dutch, for their part, resented the German Government's reluctance to help a company that was not totally German.

In the Dunlop-Pirelli case, Pirelli went deep into loss immediately after the merger was negotiated and so Dunlop had to absorb huge write-offs. "When you get losses like that, you begin to have conflicts of interest," Sir Campbell Fraser, the former Dunlop chairman, says. "The Pirelli family believed that even in difficult circumstances you continue investing. They would accept gearing levels well in excess of UK practice."

In the end, it seemed easier to break these groups up than tackle the problems. Executives of both agree that if they had been operating under a European companies act, they would have been forced to solve the problems. The rights and responsibilities of each partner would have been thrashed out, whatever the pain, and the hard decisions taken. "It is a sad story that the politicians do not provide us with the tools to put our assets together." Rohwedder says.

The association route suffers from the same flaw as the merger, the lack of a binding legal structure for it. Some trans-European associations have succeeded, such as those formed for producing the Airbus civil aircraft, the Jaguar and Tornado fighter aircraft and the Ariane space rocket. But there have also been failures, most notably the Euratom and Unidata projects.

The role of governments emerges most prominently in the cases of the associations. Often, it is a government—and most often the French Government—that pushes for the creation of the association. This may be because the country concerned has a technology that it is no longer willing to finance alone. Experience suggests that unless the technology and market are fairly clear, as in the aircraft cases, debilitating squabbles will break out between the sponsoring governments.

Unidata, an attempt at merging the data processing interests of France's Bull, West Germany's Siemens and Philips, collapsed in a wave of bitter recriminations apparently because the French Government was too aggressive in trying to direct it. Jacques Masonrouge, former chairman of IBM Europe, has said that many European projects failed because people thought the important thing was to create a large company. "They forgot that what was important was to have a large market."

The acquisition route is probably the most satisfactory one for a company seeking to build its presence in Europe, precisely because there is never any confusion about who, ultimately, is in charge. There may be many misunderstandings and frustrating experiences with unfamiliar laws and practices, but even in countries, such as France and Italy, where employment law is particularly rigid, foreign employers have been increasingly getting their way.

Still, surprisingly few trans-European acquisitions occur. Sometimes, this is because governments, supported by local industry, want to protect a national champion or keep out any foreign intruders. For example, in 1983, an attempt by GEC of Britain to take a stake in the troubled AEG group was warded off by other large West German industrial companies and banks.

More often, it is because of the stand-off created in many sectors because of severe excess capacity. The strong competitors would acquire the markets of the weak, but they do not want, and are not willing to pay for, their factories and workforces.

Among the significant trans-European acquisitions of the past decade was the takeover of Uni-Cardan in West Germany by Guest Keen and Nettlefolds of Britain, a move which immensely strengthened GKN's position in automotive components throughout the world. However, GKN got into Uni-Cardan almost by accident in the 1960s when it took over Birfield in the UK.

Hardy Spicer, a Birfield subsidiary, had developed the constant velocity joint, an indispensable component for front-wheel-drive cars. Birfield also had a 37 per cent stake in Uni-Cardan, which went on to develop the product and sell it France, Italy, Spain and elsewhere. GKN then boldly financed a major expansion into the U.S. with two greenfield plants.

Roy Roberts, managing director of GKN, says the Uni-Cardan move "enabled us to become a seriously considered European manufacturer of a variety of components, and it has been even more important in the U.S." Roberts says the group will soon derive a third of its sales in Europe, excluding the UK, compared with less than 15 per cent in 1979.

Other significant trans-European acquisitions include the Pilkington takeover of Flachglas in Germany in 1980, and the move by Philips last year to take effective control of Grundig of Germany. Also last year, Linde of Germany took over Fenwick of France, consolidating its leadership of the European fork lift truck market. Surprisingly, it was Linde's first manufacturing venture in Europe outside of Germany.

Over the same period, the list of important acquisitions and associations involving European and non-European companies would be much larger, and would include those between American Telephone and Telegraph and Olivetti in office equipment and Clark Equipment and Volvo in construction equipment.

"A considerable number of trans-European mergers was attempted in the 1960s and 1970s, and they were, without exception, disastrous"

Most European managers still think that their future lies in deals with U.S. and Japanese companies rather than other European companies. Peter Sulzer, vice-president of the Swiss engineering group, makes the point. "If I had an equal choice, I would still take the outside one. Management know-how, innovation and speed of reaction are far more developed in the U.S. and Japan. Why should we not benefit from that in our European operations?"

Another drawback of trans-European mergers is national pride, language and culture. Europeans do not like being ordered about by other Europeans. Officials of Pont-à-Mousson, the pipemaking subsidiary of St-Gobain that recently acquired Stanton and Staveley in Britain, says that one of their difficulties in assessing S and S was that not enough people on either side spoke the other language.

Francis Mer, managing director of Pont-a-Mousson, says trans-European groups have to be run almost like a confederation, with the centre putting its faith in strong local managers in each country. It is worth recalling that his group's successful West German operations have survived two major wars between France and Germany.

Whatever the difficulties, Europeans will undoubtedly still go on trying to get tougher with each other, even if not at the same rate as they get together with others. Rohwedder, for one, is not discouraged by the Estel experience. "This sort of thing must be part of Europe's future. People should think twice before they do it. And they should go and see Hoesch and VFW and Dunlop and find out what went wrong."

Previous articles in this series appeared on June 17, 19, 21 and 24. The next will be published on Friday.

TECHNOLOGY

EDITED BY ALAN CANE

Shake-up for GEC research

GEC has formed a new research company combining its three research centres—Marconi Research Centre near Chelmsford, Essex, Hirst Research Centre at Wembley, and the Engineering Research Centre near Leicester and at Stafford.

Dr John Williams, managing director of the new company, said yesterday there were four reasons for the move. First, converging technologies meant that work done at the research centres had wider applications throughout GEC and this had had brought considerable growth at the centres.

Second, the growth had led to the need for an efficient management team to co-ordinate research work.

Further, collaborative research with other companies had shown a need for a clearer corporate identity, and fourthly, GEC needed maximum cohesion to make the best of its resources.

GEC Research employs 2,500 people of whom about 1,300 are professional scientists and engineers.

The annual income of GEC Research is around £60m, approximately 10 per cent of the GEC's research and development spending.

How Sammie adds to comfort behind the wheel

Geoffrey Charlish on software for designing cabs and cockpits

HOW DOES the designer of a truck cab or a car dashboard make sure the driver can always reach the controls, has good visibility whatever his height or does not bang his elbow on the window winder whenever he turns the stering wheel?

The answer, until recently, was a great deal of scale drawing and "cut and try" activity, often with a series of mock-ups, until the ergonomist was satisfied there were no mutual interferences and that within limits most drivers — tall, short, fat or thin — would be accommodated.

As in other parts of the motor industry, computer-aided design has come to the rescue, in this case with some software called Sammie.

Sammie stands for "system for aiding man machine interaction evaluation" and was conceived some seven years ago at Nottingham University. It was later offered by Compeda, a British software company that was absorbed by U.S.-based Prime Computer at the end of 1982. Prime has recently sold systems to both Ford (in Detroit) and Leyland.

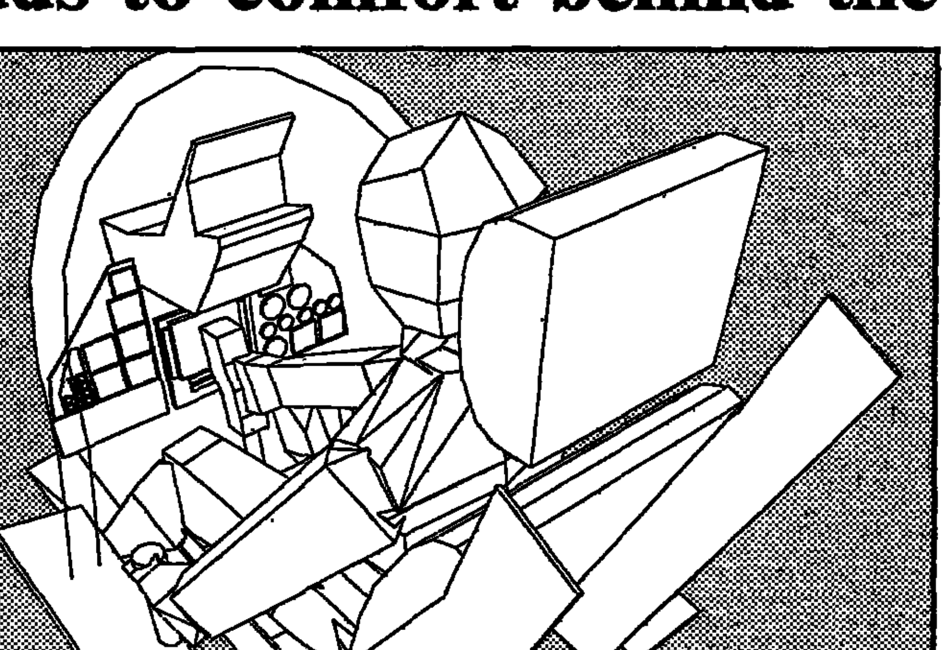
So although Sammie may have been ahead of his time in 1978, he is now coming into his own in a more sophisticated form and in colour.

The software allows human forms to be modelled three dimensionally in line form on the screen. The "man" and his surroundings can then be manipulated in order to evaluate the physical interaction between them.

At Leyland in Lancashire, an ergonomics team has used Sammie in the design of the Roadrunner, a light truck for the 6 to 10 tonne market announced last Autumn.

Work on the screen starts from a library of basic shapes—spheres, cubes, cones for example—that the user can call up from memory and assemble into a workspace, contracting or expanding them at will. Using simple English (or French, or German) commands, items like steering wheels, pedals, instruments and windscreens can be built into a complete truck cab and a pre-defined "man" put in the driving seat.

The Sammie "person" consists of 19 conected links representing a schematic skeleton around which three-dimensional solids are pre-defined to represent the outer contours of the human body. Any size or shape of person can be represented through specified dimensional changes or statistical profiles of population groups.



Sammie checks out an aircraft cockpit

The man-model can be moved in steps into any posture likely to be assumed by a real human—the system will indicate on the screen the comfort or extreme limit of leg, arm or back.

The user can interactively test the man-model's reach abilities to any point in the workspace and can analyse the fit of different sized persons into given workspaces, reducing the need for mock-ups and fitting trials.

At any time, the whole construction can be viewed from any angle and from any point either within or outside the workspace. In addition, standard two dimensional plan, side and elevation views can be displayed. Alternatively, the view from the eye-point can be displayed.

Use of Sammie in the Roadrunner design showed the need for a "child window" down on the front of the cab—there was otherwise a danger of the driver starting off with a child in the blind spot near the kerb.

A remarkable software achievement is the creation of plain, convex or concave mirrors complete with the reflections that will be seen from the chosen viewpoint. The mirrors can be aligned so that particular objects apear in them. This has proved particularly useful in checking that EEC and other regulations are met with regard to what can be seen in the rear-view mirror of a lorry.

The facility even extends to checking on the unwanted reflections seen in windscreens and other glass areas.

Further software allows the whole 360 degrees view round the driver to be opened up into the kind of Mercator's projection used in maps. This allows sight angles to be checked from the eye-point in a matter of minutes—such work takes week if drawn by hand.

Sammie can be used for the ergonomic design of any man-machine workspace. Recently a system was sold to Rockwell in the U.S. for a purpose which, although undisclosed, is likely to be the design of fighter cockpits.

Sammie is saving time and money at Leyland and can quickly identify "no hope" solutions early in the design process and before expensive mock ups are built.

The software runs on all the Prime 50 series 32 bit computers and although Leyland are not doing so at the moment, Sammie can be connected to Prime's other software suites that cover detailed engineering design, such as Medusa.

Sounding out speeds at sea

A MARINE speed log just introduced by Sperry Aerospace and Marine of Camberley measures and displays speed in two directions—fore and aft and port/starboard.

The system uses the Doppler effect. This is the apparent raising and lowering of the sound emitted from a moving object when it reaches a stationary observer — the siren of a passing police car is a good example.

The log uses ultrasonic frequencies at 112 kHz reflected from the sea bed and can measure water depth.

A large, clear liquid crystal display that can be seen anywhere on the bridge of a ship shows the two speeds, depth, and distance travelled.

Applications are expected on dredgers, ferries, hydrographic/geographical vessels and wherever ships are required to make accurate manoeuvres. More about the instrument, the SRD-421, on 0276 63464.

Chips take lion's share of Alvey cash

TECHNIQUES for the design and fabrication of new types of integrated circuits account for nearly half the cash allocated to collaborative projects under Britain's Alvey programme to study new computer technologies.

Two years after the programme started, the Government's Alvey directors has given the go-ahead to 153 projects involving 60 companies, 40 universities and six research institutes.

Of the total, 58 projects involve chip design and production, using, for instance, new techniques to squeeze more electronic components on to a small piece of silicon. Semiconductor technologies account for £92.8m out of the £196.7m so far committed.

Under the Alvey scheme, three Government organisations — the Department of Trade and Industry, the Ministry of Defence and the Science and Engineering Research Council—are to make available £200m for collaborative projects over three years. Industry is to contribute the remaining £150m.

Progress in the programme is being reviewed at a four-day conference in Edinburgh organised by the Alvey directorate, which ends tomorrow.

Many projects have been slow to get under way, partly because of problems in hammering out legal agreements on exploitation of technologies among companies and academic groups. University groups, in particular, have been hampered by shortages of staff.

The Alvey programme is attempting to boost technologies in four specific areas. These are: chip design and production; knowledge-based systems (computers that display "intelligence" by answering questions on a range of subjects); ways of improving the "human interface" with computers, for instance by building machines that understand speech; and methods to produce better, more reliable software.

Another key part of the Alvey programme comprises five big "demonstrator" projects intended to bring together several areas of technology in useful systems.

ICL is leading a group trying to make Government health and social security regulations more understandable by putting them in a computer. Racal heads another consortium investigating new information systems for car drivers, based on cellular radio for instance.

Other demonstrators, involving groups led by GEC, Plessey and Ewbank Preece (a company of design engineers), will tackle projects in factory automation, speech understanding and the design of telecommunications hardware.

The chief criticism of the Alvey programme is that it is geared too much to narrow areas which are of interest only to the research community and that it is not aimed enough at products for which obvious markets exist.

"Doing collaborative research is the easy bit — the difficult part is turning this into products that can make money," says Dr John Taylor, a former Defence Ministry scientist who played a key part in devising the Alvey programme and is now head of Hewlett-Packard's computing laboratories in Bristol.

ALVEY PROGRAMME: Cash committed to June 1985 (£m)

Projects	DTI/MoD	Industry	SERC	Total number of projects
Large-scale demonstrator systems	15.4	15.4	9.5	5
Software	8.8	8.8	3.8	16
Knowledge-based systems	6.8	6.8	5.9	46
Human interface with computers	5.3	5.3	7.6	25
Chip design and layout	41.4	41.4	10.0	58
Communications/ infrastructure	2.5	—	2.0	3
Totals	80.2	77.7	38.8	153
Cash due to be committed by 1988	150	150	50	—

Mr Brian Oakley, director of the Alvey directorate, which supervises the programme, says he is convinced that large areas of the research started under the programme will become exploited commercially, especially in studies connected with chip design and software engineering.

He also says he is impressed by the way that researchers from commerce and the academic world have "dived in" and overcome barriers that, in Britain, traditionally divide these two communities.

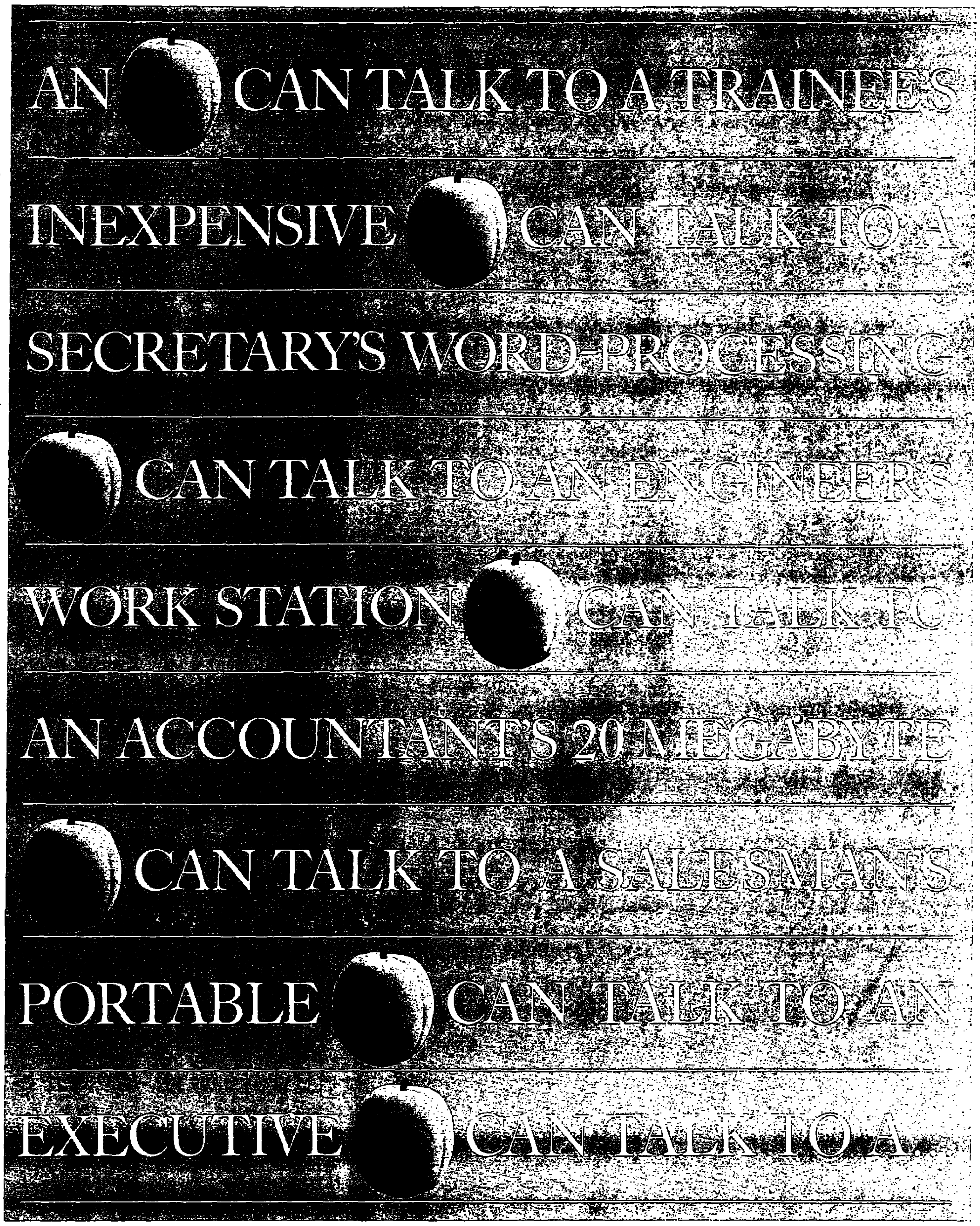
Canon in U.S. joint venture

CANON, THE Japanese electronics and photographic company, has reached agreement with a major U.S. supplier of amorphous (non-crystalline) materials covering the use of these substances in instruments and other products.

Energy Conversion Devices of Troy, Michigan, and Canon will set up a joint venture in the U.S. to sell products using both companies' technologies.

Canon is especially interested in photosensitive products such as coatings that can be made by techniques developed by the Troy company. The latter is well known for efforts to devise technologies to make amorphous silicon, for instance for solar-energy converters, on a large scale.

As part of the liaison, Canon is to pay Energy Conversion Devices $10m as an advance on royalties and for research and development.



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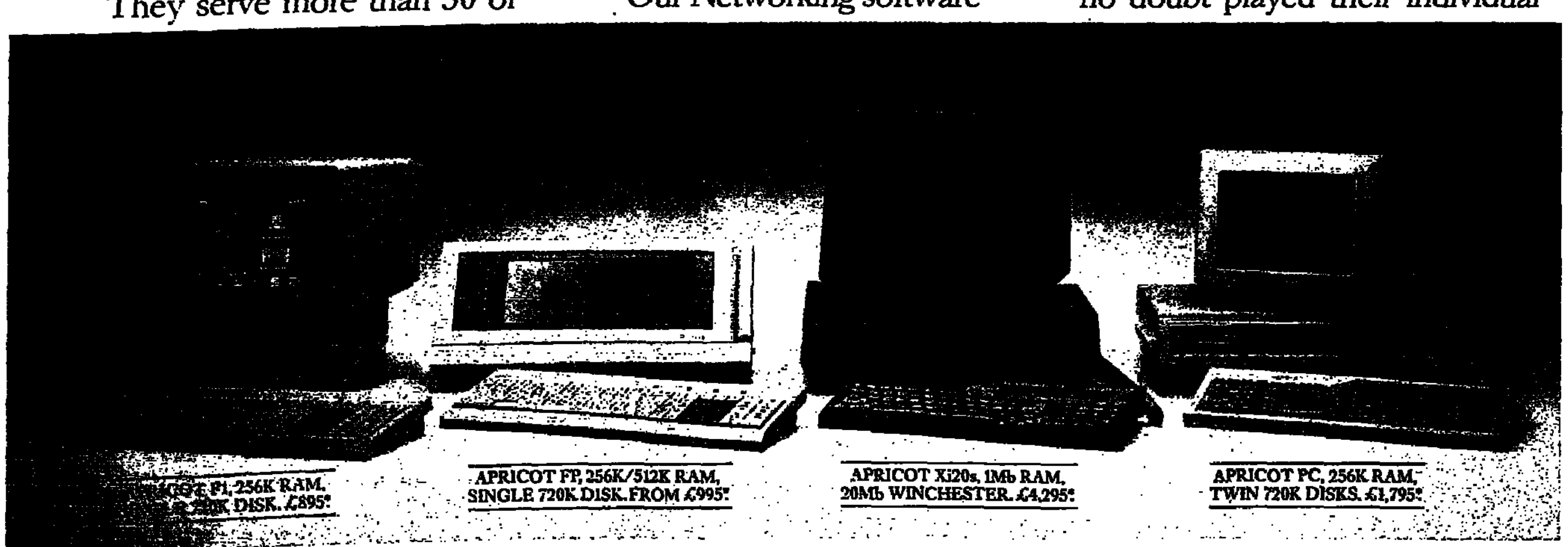

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THE ARTS

Television/Christopher Dunkley

Left and best foot forward on the demanding man's channel

When Channel 4 was launched in November 1982 it was greeted with a chorus of derision. "Channel Bore!" said the headlines, and "Channel Snore!" It was not easy to find Labour or even Liberal politicians willing to defend it, let alone Conservatives. Now, two and a-half years later, Channel 4 is the apple of everyone's eye; it is rare to hear a word said against it. Even Tory grandees sing its praises. When Lord Whitelaw gave the Robert Fraser Lecture earlier this month he said: "I would like to express my personal pleasure at the increasing success of Channel 4 and to offer my congratulations to Edmond Dell, Jeremy Isaacs, and all those connected with it."

Today Channel 4 is seen as the model for everything that is good and desirable in television. Isaacs, the chief executive, is courted at the BBC where several influential people would like to see him appointed Director-General. Against the BBC's image of an ageing and over-weight dinosaur, ever more costly to keep, Channel 4 appears contrastingly as a group of svelte young animals who forage cheaply for themselves. Since Channel 4 is financed by ITV the image may be questionable, but Channel 4 is not simply praised for its own extensive use of independent programme-makers; it is also held up as a model for the BBC and even for ITV.

In the early days the independents provided as much as 40 per cent of the channel's programmes; far more than anybody had dreamed possible. Today the figure is about 27 per cent, but the independents receive 47 per cent of the Channel 4 budget. The discrepancy indicates not the high cost of independent programmes but the low cost of the imports and repeats which contribute so economically to the other 73 per cent. Independents win praise for several reasons: they make programmes more cheaply than the BBC and ITV, they serve (even represent) specific minorities, and of course they substantiate Thatcherite faith in small businesses.

I have always had reservations about Channel 4, partly, no doubt, because my initial expectations were too high, but mainly because it did not seem to me to be as different from the other channels as we were encouraged to believe both by its early detractors (who claimed it appealed only to black lesbian social workers) and its defenders (who claimed that it was vigorously fulfilling its obligations to be different and innovative and to supply "not more of the same but something different").

Considering the channel's most popular programmes as listed by BARB, it seems that the only way it can achieve the 10 per cent audience share, to which Isaacs has always laid claim, is to offer what everyone else offers. The current Channel 4 Top 10, for instance, comprises: two episodes of soap opera, one American TV-movie, one 1948 Stewart Granger movie, two British and two American situation comedies, a gardening programme, and Ray Connolly's "Film On Four" *Forever Young*. None would look even slightly out of place on the other three British channels, and even this collection wins less than 8 per cent of the audience.

Yet unmistakably Channel 4 has steadily taken over as "our" channel: the channel for the demanding viewer, for those who want to be prompted to think as often as to laugh, who welcome the unfamiliar as much or more than the familiar. Four days a week Channel 4 offers a 50-minute early evening news. It screens modern television drama serials from abroad, not just from the U.S. or Australia, but from countries where they speak foreign languages: *Sanne* is a Dutch series about politics, direct action, and the generation gap in Amsterdam. It gains greatly from being sub-titled rather than dubbed. The same goes for *Octopus — Power Of The Mafia* which is the most stylish and gripping series currently on British television and a very superior piece of screen writing.

Increasingly Channel 4 is the place where you expect to find thoughtful and analytical documentary series such as *End Of Empire*. Channel 4 is the place where cinema, and television considerable significance; thou itself are treated as subjects of considerable significance; though we should be wary of accepting every repeat of a cheap old American sitcom as an educational treasure from the archive, it should nevertheless be acknowledged that there is a demand for historic television programmes — whether from *Avengers* freaks or those wanting to see what an evening's programmes looked like in the 1950s—and only Channel 4 really tries to satisfy it.

The Independent Broadcasting Authority's last-minute ban on last week's episode of Channel 4's monthly cinema programme *Visions* would have been appalling whatever the reputation of the series, but it was particularly contemptible in view of the solid record of seriousness which *Visions* has established. The irony of British television censoring a programme called "Brazil—Cinema, Sex And The Generals"" which sets out to show how film makers under a South American military regime evaded the censors by resorting to forms of exploitation movies is, of course, priceless.

A still from Channel 4's "Brazil—Cinema, Sex and The Generals," banned by the IBA last week

Having watched the programme (and been somewhat disappointed at its failure to convey the political significance of several of its clips) I can only wonder at the mentality, the upbringing and indeed the sanity of those who consider it quite OK for television to show people being maimed, brutalised, and of course killed by any of a thousand horrible methods but who baulk at images of love and sex. A man with his head under a woman's skirt? A couple actually seen on screen doing It? And noisily enjoying it (or in the case of one woman clearly not enjoying it)? Good gracious no. That is dirty. Stick to good clean hate, torture and slaughter and be sure of the IBA seal of approval.

Channel 4 is quite ready to carry real intellectual arguments. Indeed some of the participants in the recent series of *Voices* have referred to "intellectuals" without either smiling apologetically or sneering. Furthermore *Seven Days* has habitually discussed the moral dimensions of the week's events early on Saturday evenings; a time when, according to received wisdom, only comedies and quizzes are tolerable. The 100th edition of *Seven Days* this Saturday consists of a compilation from past programmes which show how broadly the series has ranged: from the ethics of strike-breaking to surrogate motherhood, and famine relief. (If by doing good now you create a greater evil later should you do that good now?)

Moreover Channel 4 differs significantly from the others in having managed to create a distinct feeling of accessibility to its viewers. The Video Box, the nightly *Comment* slot after the news, *Right To Reply* (which gratifyingly rejects the BBC habit of making a joke out of readers' reactions and insisting on the last word) and *Diverse Reports* represent collectively a bigger effort in this direction than anyone else has ever made.

Quite often these series carry right wing and conservative messages; last week's *Diverse Reports* argued the case for reducing regulations on small businesses, for example, and Tory MP Gerry Neale presented one of last week's *Comment* spots. However, it is not these specially constructed access slots from which the general tone of Channel 4 emerges but from the output as a whole, and judged as a whole Channel 4 is unmistakeably characterised by the ethos of the 1960s new left.

There is nothing surprising about that. Nobody who knew the backgrounds and attitudes of chairman Edmond Dell, chief executive Jeremy Isaacs, programme controller Paul Bonner, and senior commissioning editors Mike Bolland, Liz Forgan, David Rose and Naomi Sargant, could possibly expect anything else.

Nor is there anything wrong with it: one would not want to oppose the humanitarian concern characterising programmes such as *Choices Of The Heart* (about a young Catholic nun/social worker killed in El Salvador) or *Maids And Madams* (about the position of black domestic servants in South Africa) or *Promised The Earth: The Impossible Decade* (about feminist attitudes around the world) or *El Norte* (the trials and tribulations of Guatemalan peasants looking for work in the U.S.). In every case these programmes were dedicated and compassionate.

But Channel 4 will become an even more impressive and unusual service when its programme makers' dedication and compassion is extended as often to those who suffer injustice and persecution in Soviet Russia, Zimbabwe and East Germany as in Guatemala, South Africa and El Salvador.

*

I must apologise for claiming last week that Michael Grade was loth to have the "Summer Season" plays on BBC1. It was "Play Of The Month" which was shifted from BBC1 to BBC2, where they will be seen in the autumn.

Swimming Pools at War/Offstage Downstairs

Michael Coveney

The Chalk Farm Road, NW1, is full of surprises these days as the post-punk Camden denizens in leather jackets and loose cottons start pushing up the hill towards Hampstead, but for sheer brazen incongruity of effect it would be hard to beat the opening of a basement theatre with this slightly old-fashioned absurdist French comedy by Ivess Navarre.

Buddy Dalton's theatre bookshop is a much appreciated (by me, at least) local facility and the lush artificiality of Nick Ormerod's poolside paradise of blue skies, sunshades, glistening green turf and well-stocked bar confirm that (with associate Richard Jackson) she can offer work well up to the best of her days at the New End. Fringe theatre, you could argue, started in bookshops 20 odd years ago, in the Charing Cross Road and in Edinburgh. That was with Jim Haynes and the People Show; the future. Now the fringe looks back to Ionesco and Pirandello.

Two girls in beachwear have been hired to animate a garden centre display behind plate glass. Every so often a muscular male model in swimming trunks apears to execute a Charles Atlas routine before diveing back into the offstage pool. The girls, Fan and Cat, keep going by playing games between clenched teeth, fantasising the social conversation of despised rich people who can afford swimming pools, and teasing a man in a mackintosh who wanders silently through the concourse.

Naturally, the plate glass is both the fourth wall and the barrier between aspiration and reality. Fan is of humble origins, with memories of grandparents and a money box; Cat is the introvert brooder who becomes stuck on the male model but to no great avail. ("He likes little children and I wanted some!"). A rather ridiculous climax is engineered, and the sentiments of deprivation and social dislocation coagulate around a thumping statement that bloodshed is the fashion when you have no swimming pool.

Robert Gillespie's production does not ring out with total authenticity in this new, claustrophobic 60-seater venue. Mary Tamm and Prunella Gee, however, are both edibly decorative and convincing as the statuesque models sporting a stunning array of red and yellow casual attire (costumes by Kim Kenny). Miss Gee in particular, in the dominant pace-setting role, gives a wonderfully high-spirited performance, undercutting the sleek façade with horsily satiric upper-class cackles and langorous expressions of dissatisfaction. The sparkish translation is by Ionesco's conduit of 30 years ago, Donald Watson; the playing time an uninterrupted 100 minutes.

Giulio Cesare/Barbican Hall

Max Loppert

Over the next month or so the Handel tercentenary events in London become wonderfully copious: a splendid procession of major works has been planned to fill concert halls, churches, and other musical venues. The concert performance of *Giulio Cesare* that the Academy of London gave on Monday ought to have formed a noble episode in the schedule; as things turned out it will probably be remembered, if at all, as a regrettable mishap of the kind that is bound to occur in all large-scale anniversary celebrations.

Giulio Cesare belongs, of course, to the English National Opera repertory, and has been heard here in more than one concert reading over the last decade; it is not the Handel *opera seria* most urgently in need of this sort of presentation. But the occasion was lent at least a certain novelty by the engagement of two leading American singers as Caesar and Cleopatra (the concert is part of the Academy's "American Artists' Series")—Tatyana Troyanos in the title role and Benita Valente as Cleopatra.

Miss Troyanos, new to London in Handelian guise, is an alumna of the Copley-Mackerras *Julius Caesar*, which after its ENO beginnings with Janet Baker acquired her as *primo musico* on its arrival in San Francisco. After a cloudy start the voice soon forged its special combination of richly individual colouring, easy agility, and proud musical line; it is a voice well suited to alto castrato *grandezza*—or would be, if Miss Troyanos could submit herself to some firm stylistic guidance. Several of the arias had been transposed upwards, in keeping with the Mackerras edition; this was unwise and unnecessary, and so were the generous showerings of inapposite ornamentation, also *à la* Mackerras. She made, as did Cleopatra, rather too many showy entrances and exits.

Miss Valente, a leading New York soprano little known here, quickly revealed her pure tone, commanding technique, and more certain sense of style—Clopatra's sly, sparkling humour was missed, but in "V'adoro pupille" she found as much seductive sweetness as the flaccid beat of the conductor, Richard Stamp, would permit.

With the execption of the tenor Sextus, Ian Thompson, the rest of the cast was no more than modestly competent—though in truth the constant undermining of Handelian dramatic vitality and interest by Mr Stamp's podium swayings (which had precious little effect on the mousy orchestral playing) proved irresistible to all singers alike. I love the opera too much to tolerate its being rendered limp, slow, and dull, and I admit to having crept away at the end of Act 2.

June Havoc/Donmar Warehouse

Martin Hoyle

The sub-title of this *Unexpected Evening with June Havoc* is "Baby June Remembers"; and perhaps it is as Gypsy Rose Lee's little sister as depicted in the musical *Gypsy* that Miss Havoc is immediately identifiable to a British audience.

Gypsy itself is cut down to size, along with its protagonist, the girls' archetypal stage mother. Far from being a Merman prototype, she was "very small, very soft and feminine. . . . So vulnerable — that's why she was so lethal."

As Dainty June, the infant had a three-year contract at $1,500 a week. The Depression prompted her dance marathon record: the equivalent of 4½ months' non-stop movement put her in the Guinness Book of Records. Hollywood — home movies of neighbours Lucille Ball and Jack Benny add to the evening's chatty informality — "legit" stage appearances (Shakespeare, Wilder, Sheridan) and recent Broadway musicals bring the story up to date. Those who kept their seats in the interval were even regaled with the film of a TV version of Chekhov's *The Bear* with Miss Havoc and Michael Redgrave, no less.

The show, latest in the Donmar's crusade for late-night liveliness in London, is drawn from Miss Havoc's QE2 turn. This explains the mood and style of intimate magic-lantern lecture. When Miss Havoc loses her way in a sentence or misplaces a phrase, or the cine-screen gets stuck when pushed half-way onstage, it adds to the effect of freshness and spontaneity. Within the framework of a tribute to vaudeville—the show opens and closes with spotlights moving round the empty stage to the recorded voices of Jimmy Durante *et al*—the memories tumble out as if Miss Havoc has just thought of them.

A gem for all historians of the musical is the flickering and unsteady film, by the stage manager, of the almost loopily lush "Flower Garden of My Heart" ballet from the original *Pal Joey*, Miss Havoc's first Broadway success. Elsewhere she frequently changes costume, essays a couple of songs, the odd dance and an occasional impersonation. No lack of gallantry but mere wonderment prompt the reflection that this sleek blonde with her serviceable legs and likeable, breathles directness is nearing three score and ten. A slightly rambling evening, then, with pleasurable nuggets. Must end on June 30.

Alastair Muir

June Havoc

Film and Opera in Brussels

Arthur Jacobs

Strange to be staring at the cinema screen and to be listening, yet again, to the music of *Don Giovanni*. After Joseph Losey's film of the opera, and after *Amadeus*, it is the turn of the Belgian director Andre Delvaux with *Babel Opera*, a fiction grafted on to last season's rehearsals for the Belgian National Opera's production of Mozart's opera.

The opera company's home, the Théâtre de la Monnaie in Brussels, was chosen for the première of the film last Saturday night. Next day José van Dam, the distinguished Belgian baritone who had the title-role in *Don Giovanni*, took the stage in his new role, Hans Sachs in Wagner's *Die Meistersinger*.

In the film's most striking image, the Tower of Babel in Breughel's pictorial representation suddenly acquires theatrical lighting behind some of its windows and "becomes" the opera house. But *Babel*, though it adds the Italian of the opera to Belgium's accepted duality of Dutch (Flemish) and French, is not about linguistic confusion on stage or off. Delvaux imagines a tangle of loves among people working in or around the opera house (not the opera stars themselves) for whom *Don Giovanni* becomes a distorting mirror. The hero is a Belgian director obsessed with a plan to place the Don Juan legend in Belgium's own remote, marshy landscape by the Scheldt (beautiful photography by Michel Baudour). So the film is almost—not quite—a film about itself.

That effect is reinforced by having some known Belgian personalities play themselves. An all-knowing narrator's role is assumed with gnome-like charm by a professor from Brussels University, Jacques Sojcher. Although François Beukelaers and Alexandra Vandernoot bring considerable intensity of passion to their roles (she makes a sudden decision to enter a convent, just like Donna Elvira), the story seems ill-fitted to bear the weight of the operatic comparison.

Sylvain Cambreling, who conducts the *Don Giovanni*, and Sir John Pritchard are the two conductors most responsible for the recent upgrading of Brussels among Europe's leading opera centres. As conductor of *Die Meistersinger*, Sir John may have restrained himself with difficulty from walking out of such a wilfully twisted stage production as that presented by Kurt Horres. A mural in the church is suddenly gashed across the face of Jesus to reveal the balcony from which the Mastersingers will shortly audition young Walther—they in Victorian frock-coats, he in medieval knightly garb with breastplate.

Though so cruelly robbed of its contextual strength, Hans Sachs's mellowed wisdom is securely portrayed by José van Dam. At this performance he reached full force only from the point when the great third-act soliloquy arrived. Until then, he appeared to be husbanding his voice too carefully, and with it his communicativeness, leaving the action to be dominated by the excellent Beckmesser of the young American baritone, Dale Duesing (last year a distinguished Otho in Glyndebourne's *Poppea*. I doubt whether Wagner's comic character has had a livelier and more positively musical interpretation since Geraint Evans.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 21–27

Theatre

NETHERLANDS

RA by R. Murray Schafer, directed by Thom Sokoloski, a theatrical journey (literally) from dusk to dawn based on the ritual of the Egyptian sun god. Starts in Amsterdam, Ijsbreker (Weesperzijde 23), by bus to Leiden, where the performance begins at sunset (all week except Sun). (68 18 05).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to Pinter's early revue sketches; and last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 8243).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists. with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Old Times (Haymarket): Pinter's 1971 reminiscent idyll has Liv Ullman and, in the best performance, Michael Gambon competing in the present and the past for a glacial Nicola Pagett. David Jones's smooth production is less monumental in tone than was Peter Hall's: the text is very fine and very funny. (930 9832).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

CHICAGO

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Pirandello classic. Ends July 14 (443 3800).

Saleroom/Antony Thorncroft

'Earliest English' £82,500

A scrap of vellum, which Sotheby's publicised as the earliest known fragment of English writing ever to surface, sold in the saleroom yesterday for £82,500 to an anonymous bidder. The writing is actually in Latin, the work of an Irish scribe, who may have been at a monastery in Northumbria.

But the double page of writing is undoubtedly early: of the 7th century AD. It is part of Eusebius' "Historia Ecclesiastica," and this copy may well have been used as source material by the Venerable Bede when he was writing his history of England a little later in Northumbria. The fragment was found in the Folger Library in Washington as part of the binding of a Renaissance book. The price was around its forecast.

All told, the auction of manuscripts and miniatures realised £1,027,268, with 5.49 per cent unsold. The Sevenoaks dealers, Hoffman and Freeman, paid £77,000 for a Book of Hours produced at Metz around 1330. It has 62 miniatures.

As usual the dealer H. P. Kraus was a major buyer. He paid £77,000 for a Book of Hours produced in Paris around 1450, with 26 large miniatures; £71,500 for an illuminated manuscript of Dante's "La Divina Commedia," written in Florence around 1400 and one of the last manuscripts of Dante still in private hands; and £49,500 for a herbal in Latin and German on paper, written in Austria in 1482: it contains 408 illustrations of plants; the price was three times its forecast.

A manuscript of Cicero, produced in South Flanders around 1492, written in French and dedicated to the Marshal of France, but looted by the armies of Henry VIII in 1544, will return to France. It was bought for the Bibliotheque National for £44,000.

Christie's kicked off London's week of Impressionist and modern picture sales with a Monday evening auction which did well in what is always a volatile market. It totalled £2,251,800, with 18 per cent unsold.

The top price, and a record for the artist, was the £345,600 paid for "Sonnenblumengarten" by Emil Nolde. This close up of flowers was painted in 1937, the year in which Nolde's works were withdrawn from museums by the Nazi government.

A view of the Engadin in 1907 by the Swiss artist Ferdinand Hodler sold for £237,600; a shore landscape by Munch for £194,400; and "Manichino seduto" by de Chirico for £178,200. Another auction record was the £172,800 paid for a 32½ in high wooden sculpture by Ernst Barlach entitled "Tod im Leben." Biggest casualty was a Renoir head of a girl, bought in at £105,000.

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SERIAL NUMBERS OF BONDS TO BE REDEEMED

6217	6730	7185	7722	8197	8678	9152	9611	10072	10529	11022	11480	11958	12383	12882	13325
6222	6734	7186	7723	8202	8682	9154	9612	10073	10530	11024	11481	11959	12384	12887	13326
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6256	6773	7223	7742	8231	8702	9183	9637	10098	10559	11051	11498	11980	12410	12917	13359
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6263	6777	7230	7745	8234	8707	9188	9645	10102	10564	11060	11509	11989	12413	12927	13361
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6276	6794	7249	7759	8249	8717	9206	9659	10114	10581	11075	11527	11998	12435	12935	13379
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6297	6817	7273	7783	8284	8735	9221	9684	10127	10617	11101	11542	12015	12455	12955	13407
6298	6818	7276	7785	8287	8737	9223	9690	10130	10620	11103	11543	12016	12456	12956	13417
6299	6820	7277	7786	8291	8739	9224	9694	10131	10633	11104	11546	12018	12457	12958	13418
6301	6827	7279	7788	8294	8740	9225	9697	10134	10636	11107	11547	12022	12458	12961	13419
6302	6829	7284	7793	8301	8745	9251	9699	10137	10638	11109	11549	12024	12459	12963	13427
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6313	6832	7290	7796	8310	8750	9257	9702	10143	10641	11112	11552	12031	12465	12967	13430
6315	6833	7291	7797	8314	8751	9258	9704	10146	10642	11113	11559	12033	12467	12968	13432
6318	6835	7296	7798	8316	8752	9261	9707	10147	10646	11118	11560	12034	12470	12970	13434
6319	6838	7302	7801	8321	8756	9266	9709	10149	10648	11119	11564	12035	12473	12971	13440
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6326	6847	7314	7815	8324	8764	9278	9713	10153	10658	11125	11572	12038	12485	12975	13444
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6383	6888	7362	7875	8366	8828	9339	9761	10203	10709	11194	11632	12082	12553	13020	13495
6391	6893	7363	7876	8367	8832	9345	9763	10205	10717	11195	11635	12090	12554	13022	13498
6393	6894	7367	7879	8372	8838	9351	9765	10207	10721	11196	11636	12094	12555	13037	13501
6395	6895	7370	7880	8375	8839	9353	9775	10208	10722	11197	11640	12096	12556	13039	13507
6396	6896	7372	7884	8379	8843	9356	9776	10215	10723	11198	11642	12098	12562	13043	13508
6404	6898	7374	7885	8383	8849	9357	9778	10219	10726	11202	11649	12103	12567	13046	13513
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241	730	1216	1692	2189	2660	3159	3662	4146	4621	5098	5557	6013	6506	6964
243	733	1217	1693	2191	2666	3166	3664	4148	4625	5105	5560	6014	6508	6968
245	735	1218	1694	2192	2667	3167	3666	4149	4631	5110	5562	6016	6517	6970
248	737	1219	1701	2197	2670	3170	3671	4150	4633	5111	5566	6018	6520	6971
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269	778	1246	1731	2220	2711	3192	3692	4184	4669	5147	5600	6055	6552	7000
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279	790	1261	1734	2230	2716	3206	3702	4191	4678	5158	5605	6066	6561	7005
280	793	1262	1739	2232	2717	3207	3703	4192	4683	5163	5606	6067	6562	7011
281	794	1266	1743	2233	2718	3209	3705	4194	4684	5165	5607	6077	6567	7012
283	795	1268	1744	2234	2719	3210	3710	4195	4685	5166	5612	6078	6571	7017
286	797	1272	1747	2236	2720	3211	3711	4196	4689	5167	5619	6079	6573	7018
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303	813	1294	1771	2255	2743	3228	3726	4211	4707	5176	5636	6094	6590	7036
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306	820	1316	1783	2259	2754	3241	3735	4219	4720	5179	5643	6099	6595	7043
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328	840	1337	1801	2275	2766	3250	3763	4234	4735	5217	5656	6117	6612	7056
329	843	1338	1804	2277	2769	3252	3765	4235	4738	5218	5658	6118	6613	7059
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332	851	1345	1808	2282	2772	3258	3770	4239	4741	5224	5669	6128	6615	7063
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360	883	1376	1843	2307	2804	3295	3818	4272	4769	5264	5702	6158	6641	7096
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373	892	1385	1849	2322	2812	3304	3829	4285	4774	5272	5706	6164	6652	7105
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382	898	1396	1863	2336	2817	3316	3838	4303	4780	5277	5718	6174	6659	7115
383	899	1397	1865	2337	2818	3318	3842	4304	4782	5279	5719	6175	6661	7120
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388	904	1399	1870	2344	2823	3324	3845	4308	4786	5282	5728	6178	6670	7124
393	907	1400	1871	2351	2824	3326	3848	4311	4787	5288	5731	6183	6673	7127
395	908	1406	1872	2353	2825	3328	3853	4317	4789	5289	5738	6184	6677	7128
398	911	1407	1873	2356	2826	3334	3856	4320	4791	5294	5739	6185	6679	7132
400	917	1408	1874	2359	2828	3338	3859	4321	4798	5295	5742	6186	6684	7133
405	919	1409	1877	2360	2832	3339	3860	4322	4801	5296	5747	6187	6688	7134
408	924	1410	1880	2362	2836	3340	3862	4325	4802	5298	5749	6188	6690	7138
409	925	1412	1882	2363	2839	3344	3868	4335	4803	5301	5752	6189	6691	7143
411	927	1419	1884	2364	2840	3351	3869	4336	4804	5303	5753	6190	6693	7147
414	930	1421	1885	2370	2849	3353	3870	4338	4806	5308	5754	6192	6694	7148
417	934	1422	1886	2378	2854	3355	3872	4342	4807	5309	5755	6193	6698	7151
418	935	1424	1891	2379	2858	3359	3873	4344	4809	5314	5756	6194	6701	7163
419	936	1427	1908	2384	2860	3361	3877	4346	4813	5317	5759	6196	6702	7165
423	941	1432	1913	2385	2861	3364	3878	4349	4817	5318	5762	6197	6705	7167
425	942	1443	1920	2386	2864	3365	3883	4350	4822	5319	5764	6203	6706	7168
426	944	1447	1924	2388	2865	3367	3887	4351	4829	5323	5766	6205	6707	7171
430	945	1449	1926	2389	2869	3368	3888	4361	4830	5324	5767	6207	6716	7177
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442	952	1454	1929	2393	2876	3376	3893	4368	4834	5327	5771	6214	6725	7181
444	953	1456	1934	2395	2880	3377	3896	4370	4836	5328	5773	6215	6729	7183

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Bank of Tokyo (Curaçao) Holding N.V. continued

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67690	68242	68840	69400	69952	70507	71093	71694	72228	72803	73394	73930	74516	75091	75627	76202	76800	77394	77898	78431	79013	79601	80154	80730	81271	81822	82407	82979	83530	84173	84797	85351	85893	86519	87088	87646	88217	88785	89373	89949	90455	91072
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68181	68741	69311	69889	70420	71018	71583	72153	72733	73315	73854	74457	75013	75560	76113	76724	77317	77808	78355	78939	79525	80051	80629	81179	81751	82334	82903	83428	84105	84711	85270	85819	86400	86993	87552	88136	88706	89285	89848	90387	90968	91519
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Bank of Tokyo (Curaçao) Holding N.V. continued

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91969	92351	92807	93193	93610	94023	94371	94755	95196	95601	95998	96362	96808	97236	97619	98018	98404	98826	99242	99617
91972	92352	92811	93195	93611	94026	94374	94759	95199	95603	96000	96363	96812	97238	97622	98019	98405	98830	99243	99618
91976	92357	92812	93198	93615	94028	94377	94761	95208	95607	96001	96365	96813	97239	97626	98021	98407	98837	99246	99620
91978	92362	92815	93200	93617	94033	94379	94764	95211	95610	96004	96369	96814	97243	97629	98026	98408	98842	99254	99621
91981	92363	92818	93201	93619	94036	94380	94766	95212	95611	96005	96371	96817	97246	97631	98030	98413	98845	99258	99622
91982	92366	92819	93206	93622	94038	94385	94767	95213	95613	96008	96377	96819	97247	97637	98031	98414	98847	99260	99626
91983	92367	92823	93207	93623	94039	94386	94768	95215	95614	96010	96380	96823	97249	97642	98032	98418	98858	99262	99630
91988	92368	92824	93208	93625	94042	94394													

Payment of the redemption price and accrued interest to such date of redemption will be made on or after July 26, 1985 upon presentation *and surrender of the Bonds to be redeemed,* together with all appurtenant coupons maturing subsequent to July 26, 1985 at the principal offices of any of the following Paying Agents, *namely, The Bank of Tokyo Trust Company in New* York City, The Bank of Tokyo, Ltd. in Brussels and London, The Bank of Tokyo (Luxembourg) S.A. in Luxembourg and Bank of Tokyo (Switzerland) Ltd. *in Zurich, except that payment of the* above-mentioned accrued interest will be made only at the aforesaid office of any Paying Agent other than the Paying Agent in New York City.

On and after July 26, 1985, interest on the Bonds to be redeemed will cease to accrue.

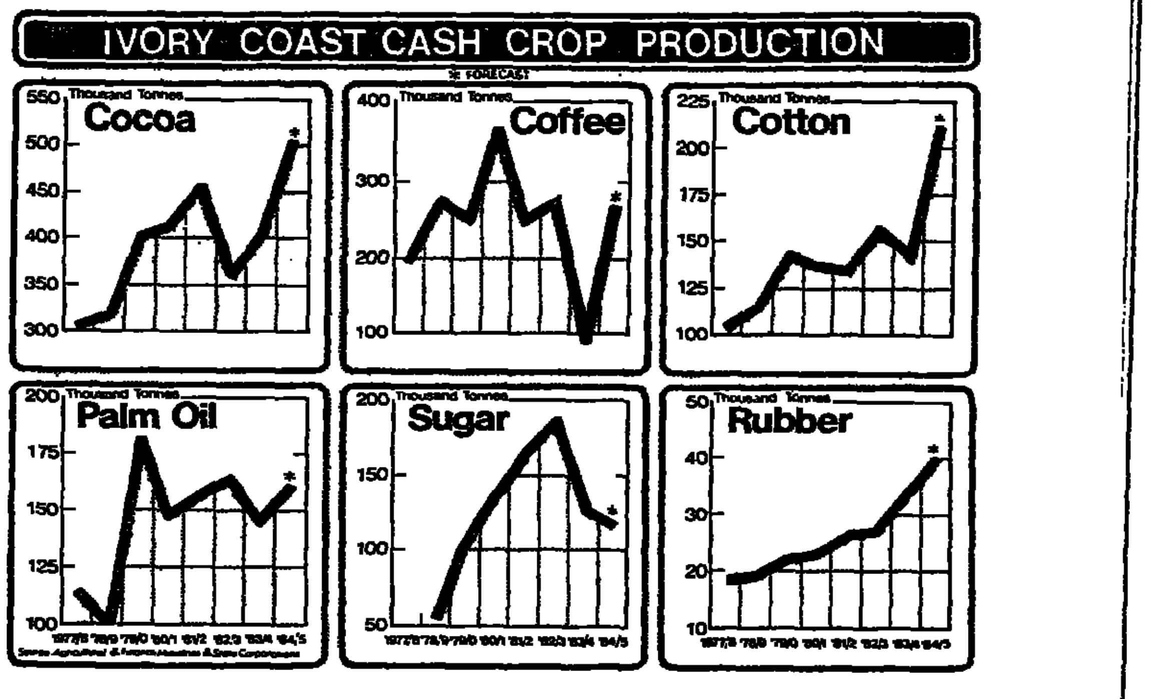
BANK OF TOKYO (CURAÇAO) HOLDING N.V.
By: The Bank of Tokyo Trust Company
as Fiscal Agent

Dated: June 26, 1985

RESOURCES REVIEW

Where a 'farmer president' oversees diversification

By Peter Blackburn in Abidjan



PRESIDENT Felix Houphouet-Boigny of the Ivory Coast likes to be known as "the farmer president."

He was a prosperous cocoa and coffee planter before going into politics, and — unlike many other African rulers — his interest in agriculture has never waned in the country's 25 years of independence from France.

In a continent where governing elites have so often neglected the countryside in favour of the growing urban masses, the Ivory Coast — with few mineral resources but fetrile soil and a lush tropical climate — has made sure to keep it's farmers on the land with incentives to expand production.

And in the last five years, the wisdom of that policy has been pressed home with ever greater force, following the fading of the country's hopes of becoming an important oil producer.

Farm products now account for two thirds of the Ivory Coast's total export earnings.

Cocoa and coffee *tower above* the other cash crops. Since 1978 the Ivory Coast has become the world's *biggest producer* and exporter of cocoa and the third largest coffee producer after Brazil and *Colombia. Those* two crops alone provide nearly half the country's export earn*ings.*

But there are perils as well as profits in heavy dependence or a small number of products. Clearly, there is little prospect and Abidjan is now aiming to stabilise cocoa output at about 500,000 tonnes per year and coffee production at 300,000 tonnes.

Moreover, the sudden collapse of world cocoa and coffee markets in the late 1970s, an dtheir apparently growing instability, has reinforced the Ivorians' desire to diversify their cash crop exports and spread their risk.

Realising the dangers as long ago as the early 1960s, they *embarked on an ambitious pro*gramme to encourage other crops. Its record has inevitably been mixed, but there are a couple of notable success stories:

brances of plants and animal

● Cotton production has been in a steadily rising curve, with a record crop of 212,00 tonnes expected this season. This will make the Ivory Coast the largest cotton producer in Francophone Africa. Exports of cotton fibre are expected to exceed last year's level of $84m by a wide margin.

Only 10 years ago, production was less than a third of that. And it looks set to go on rising, *following a 25 per cent increase* in prices paid to farmers during the 1983-84 season.

Cotton is mainly grown by peasant farmers in te Ivory Coast's poorer northern savannah region. Only 7 per cent of the growers are estimated to use mechanised techniques.

But farmers are encouraged by free distribution of seeds and insecticides from the state-controlled Compagnie Ivoirienne pour le Developpement des Textiles. As a result, cultivated area has more than tripled in the past decade to 146,000 hectares.

● There are also high hopes for rubber. Although it had a *slow start,* production has been expanding steadily during the past decade, reaching 34,000 *tonnes in 1983-84.*

It is expected to leap to 80,000 tonnes by 1990 with the maturing of new plantations planted under a $85m programme financed by the World Bank, the Commonwealth Development Corporation and France's Caisse Centrale de Cooperation Economique.

If that happens, the Ivory Coast wil become Africa's leading rubber producer, ahead of Nigeria and Liberia. Even *more* grandiose plans reaching further into the future call for an *acceleration of production to* 200,000 tonnes — or 5 per cent of the world market — by the end of the century.

Rubber was introduced into the Ivory Coast in the mid-1950s by a French company seeking to escape the mounting political turmoil in South-East Asia.

In recent years, emphasis has been placed on developing smallholder plantations around large industrial estates. Minimum guaranteed prices have just been raised, while regular year-round income and easy crop management are other attractions for small farmers.

The Ivory Coast's efforts at industrial-scale diversification of cash crops have also thrown up *sagas of* mismanagement and misreading of world markets.

In palm oil, for example—one of the country's first forays into diversification in 1963—the Ivorians seem to have missed the bus of buoyant world demand on which South-East Asian countries such as Malaysia and Indonesia have been travelling so profitably in the last couple of years.

The Ivory Coast used to be the world's third largest expor*ter of palm oil.*

But although palm oil production expanded rapidly in the *1960s and 1970s, it peaked in* the 1979-80 season and has been stagnating recently as plantations have grown old and the state-owned company managing the sector, Palmindustrie, has encountered financial and management problems. High costs and low productivity resulted in heavy losses and a major financial restructuring with World Bank assistance was needed in the early 1980s to *correct the situation.* Output was only 144,000 tonnes in 1983-1984.

In addition, rapidly rising local consumption means that only about a quarter of output is now available for export. Earnings from palm oil totalled about $22m last season.

So although Palmindustrie has now been restructured and a new five-year programme of $150m investment in replanting and extending oil palm plantations is due to start next year, experts estimate that output needs to rise to 217,000 tonnes by 1990 just to keep pace with increased local demand.

Efforts are also underway to reorganise the banana and pineapple industries where *both quantity and quality of* production have declined in recent years.

Banana plantations were badly damaged by floods in 1982 and drought the following year, and output in *1983* was more than a third lower than its level four years earlier.

Fresh pineapple output has stagnated, and tinned pineapples have suffered from low world prices and a dearth of local supplies.

The real disaster story, however, is sugar. A combination of inflated construction contracts, inefficient management and an almost terminally depressed world market has transformed the Ivory Coast's $1bn-plus sugar programme into a huge white elephant.

The original plan, launched by state-owned Sodesucre in 1973, foresaw the construtcion of 10 sugar complexes with a total production capacity of 600,000 tonnes per year. Its aim was to make the country a net sugar exporter and help develop the poorer north of the country.

Later, Sodesucre lowered its sights to the building of six complexes with a combined *capacity of 270,000 tonnes.* But the company has never produced more than the 187,000 *tonnes it turned out in 1982-83,* and it has never come out of the red.

M Kouame Kra, Sodesucre's director - general, recently announced plans to rehabilitate the industry with World Bank support. Four of the complexes are being turned over to private management, a fifth will be converted into a seed farm and the sixth could become a cotton farm.

Meanwhile, the company is investing heavily in processing plants to satisfy local demand for sugar and save on imports.

Despite these problems, there are signs that the Ivory Coast's cash crop diversification is being *intensified as hopes of an oil* bonanza are abandoned and the government seeks greater security against *volatile* world cocoa and coffee markets.

The Government has started to foster semi-industrial rubber and oil palm growing on plantations of between 10 and 150 hectares. University graduates are being recruited to manage plantations, and civil servants and businessmen are being encouraged to invest.

This new type of farming, described by officials as "unique in Africa," is aimed at reversing the drift of educated people to the towns. It is also seen as more flexible than large industrial *estates and more efficient* than smallholder plantations.

It is probably still not enough. Although much has already been achieved, experts believe that more could be done to encourage new cash crops, especially in the northern *savannah zone.* There, the risk of desertification which has afflicted the Sahel so badly is ever present.

> There are perils as well as profits in heavy dependence on a small number of products

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Forty candles for the UN

FORTY YEARS ago today the founding members of the United Nations signed the UN Charter at a ceremony in San Francisco. The Charter has held up well: its articles may have been cynically interpreted, or ignored, or have fallen into desuetude, butthey have not been challenged. All the member nations still feel obliged to insist that they honour the civilised principles and procedures laid down in the charter.

Yet no one can call this a particularly happy anniversary. The UN has made no recent stamp upon the world that it can point to in celebration. Its Law of the Sea has not been universally accepted. Its peace initiative in Cyprus has been stymied. It has been powerless to damp down the war between Iran and Iraq. Its peacekeeping forces have been ignored and kidnapped. In the absence of achievement, the fashionable view of the UN has become disparaging—a third world talking shop, a collectiono f ill-coordinated and wasteful agencies, and so forth.

As we pointed out here yesterday the lack of the international order envisaged in the charter becomes steadily more painful. In place of a colonial or super-power-dominated world, there has emerged a world of sovereign states and would-be states that is quite as unpleasant as anything that went before. Great prosperity looks down impotently at starvation. Civilised societies trade with and aid nations whose disregard for human rights is atrocious. Technology has made terrorism more and more frightening, and it is probably only a matter of time before nuclear proliferation makes the posturing of the super-powers appear relatively benign.

Ideological divide

But what can the UN do about it? Hasn't the dream of an international order been scotched from the start by the ideological divide between East and West? Isn't the organisation now dominated by a large number of developing countries which feel exploited by and antagonistic towards the West? Doesn't this reduce the West's UN game to damage-limitation?

There is an inkling of good news as an answer. There have of late been signs of moderation in third world attitudes at the UN bred, paradoxically, of economic problems. Western economic support and techniques have emerged as indispensable. The Soviet Union's appeal has tended to dwindle as its shortcomings as a sponsor have become more apparent. The U.S. is less often singled out in hostile resolutions than it was. Third World anti-Western solidarity in the UN is diminishing as the economic performance of different developing countries becomes more disparate.

The upshot is that this may be a poor moment for Western Governments to become disdainful and dismissive of the UN. At the very least the UK should use its privileged—and by today's standards highly anomalous—position in the Security Council to put across its point of view in this evolving forum of nations. But more than exploitation is called for. Both the UK and the U.S. ought to shed their cynicism about the UN and strive actively to increase its international clout.

Both the UK and the U.S. could usefully throw their weight behind the emergence of a more resolute and authoritative role for the UN secretary general and his secretariat. They could do more to explore the potential of the Security Council. The secretary general and his staff should take a tougher line in co-ordinating and monitoring the activities of the UN's numerous agencies, some of which have the feel of fiefdoms, which run themselves inefficiently when Governments everywhere are trying to do the opposite. He should make greater use of his powers, under article 99, to focus the attention of the Security Council on emerging international issues which store up trouble for the future.

There are of course no inspired procedural answers to the UN's plight. The organisation needs to rediscover the virtuous circle, in which it is respected because it is effective and effective because it is respected. The top men of the Secretariat must assert themselves more, but the UN will never make it back on to this path unless major Western members do more than promote their own interests and protect their own backsides. If, at year forty, western governments could decide to be more positive about the UN as a basis for an international order they might well find that a current of third world opinion was ready to run with them.

Trade unions and the law

TWO YEARS after Mr Len Murray, then TUC general secretary, adumbrated his strategy of "new realism" to govern relations between the unions and Government in the wake of the 1983 Conservative election victory, the idea has filtered down to the rank and file, and has won reluctant converts within the ranks of left-wing union officials.

The Transport and General Workers' Union will—according to its retiring general secretary, Mr Moss Evans—take a "pragmatic line" on labour legislation. Mr Alistair Graham, general secretary of the Civil and Public Services' Association will propose to the TUC Congress in September that some parts of the Tory employment legislation be retained. Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, has appealed to his conference activists to recognise that the law must be obeyed—and won by four votes after a powerful and courageous speech.

These are no Damascus road conversions. Union leaders find the 1980 and the 1982 Employment Acts, which curb the scope of their immunities, restrictive and the 1984 Trade Union Act (which enjoins ballots for strikes, executives and political funds) an irritating nuisance. But, most of the time, their members don't.

Ballot issue

The employment acts which have been used sparingly but effectively, have gradually corralled the unions into obedience to the law—always excepting the National Union of Mineworkers, of course, which has been financially ruined by defying it. The trade union act has given union members the right to a voice on some of the most crucial issues they have to face as union members

As Mr Graham on the right of the movement and Mr Knapp on its left have both realised, their members will not relish being told by the Labour Party that it intends to destroy their right to determine policy. In telling his conference yesterday that Labour had to "get to grips" with the ballot issue before the next election, Mr Knapp was saying, cloudily but unmistakably, that it was probably here to stay.

It is an irony that, in the area deemed in 1979 to be the most contentious of all, the Government has succeeded in legislating for a pattern for industrial relations which looks as though it might stick, at least in part. The "step by step" approach, planned carefully and carried through (with different styles but with similar philosophic approach) by ministers as disparate as James Prior, Norman Tebbit and Tom King, has paid off: employment law reform is the jewel in the crown.

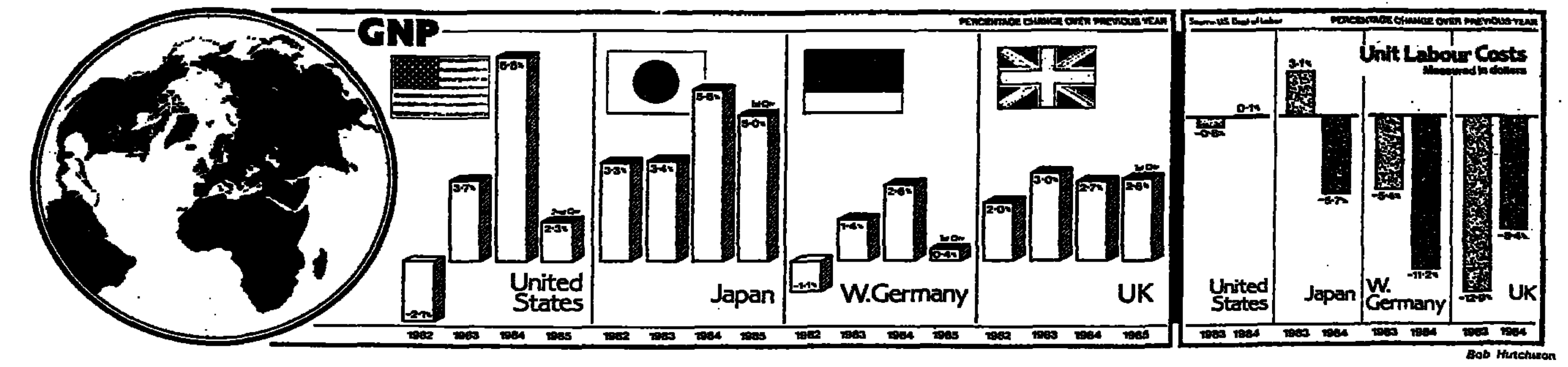
Mr King is now proposing more. In a speech to political reporters last week, he made a series of proposals which will be issued as a consultative document, probably well after the summer recess. One set concerns the possibility of legislation banning strikes in essential services, a pledge in the manifesto; the other seeks to widen still further the individual rights to union members.

Detailed comment must wait detailed proposals: but two points may be made now. First, the Government faces a delicate political choice on whether it is better to consolidate the undoubted gains from the existing legislation, or to risk union alienation by pressing ahead further.

Second, some of the areas proposed by Mr King for reform are minefields. The banning of strikes in essential services is an old and awkward issue, which has a superficial gloss but which suffers from the dilemma of turning out to be oppressive if done efficiently, and laughable if done half-heartedly. The favouring of non-strikers over strikers by protecting them from all disciplinary action if they work would mean that, even where a union obeyed government legislation on strike ballots and produced an overwhelming majority for action, the minority would enjoy a favoured position by being unaffected by the strike vote—a privilege not available in reverse.

At a time when union leaders, under pressure from below, are embracing pragmatism, the Government ought to do the same. Any future measures must be rigorously scrutinised for equity and efficiency: otherwise they will not last, and in failing they will endanger a structure which has been one of the unequivocal successes of the Thatcher era.

WORLD ECONOMIC PROSPECTS



Now it's up to Japan and Europe

By Anatole Kaletsky

CAN the world economy survive a slowdown in U.S. growth? In the past few weeks, this question has fairly leapt out from between the lines of international assessments produced by such bodies as the OECD and the Bank of International Settlements.

As the U.S. economy has faltered after its record-breaking growth rates last spring, industrialists and bankers in many countries have started to worry about the implications of economic weakness in America for the future of world trade, the prospects for reducing unemployment and the stability of the international banks.

The seriousness of these concerns may not have yet reached all political leaders, if the self-confident communique issued last weekend by the world's top finance ministers, meeting in Tokyo under the umbrella of the Group of Ten, is anything to go by. But during the next few months it will.

U.S. slowdown will dominate economic debate

As America's recovery passed its peak about a year ago and the economic growth rate settled around the 3 to 3 per cent level —closely in line with its historical average—it became increasingly apparent to many economists that the upsurge of output and employment in 1983 and early 1984 was largely attributable to the short-term fiscal stimulus from President Reagan's widely denounced budget deficits.

The lauded supply-side effects of Mr Reagan's tax cuts, which were supposed to be transforming the underlying structure of the U.S. economy, may have helped to boost the dollar and to control inflation—but they could not so far be credited with raising America's long-term trend growth rate. Nor had a supply-side miracle eliminated normal cyclical forces. These ensure, in traditional economic theory, that the benefits of a fiscal stimulus gradually dissipate themselves as the economy returns towards full employment—either through higher interest rates, through inflation, through increased imports or through a combination of all three.

If this traditional analysis of the U.S. economic recovery is right, the implications for the rest of the world could be momentous.

The central problem, defined this month in the BIS annual report is this: "Over the last two years, the U.S. has accounted for just over 70 per cent of the increase in aggregate demand in the OECD area. The rise of more than $110bn in the annual rate of imports into the U.S. since the second half of 1982 represents a large real demand impulse . . . possibly as much as 3 per cent on non-U.S. GNP." This record growth of U.S. imports is attributed directly to the huge budget deficit, which has simultaneously provided purchasing power for American consumers and corporations, and boosted the value of the dollar by U.S. raising interest rates.

As Mr Henry Wallich, the conservative Federal Reserve Governor responsible for international policy affairs put it in a recent speech, using Keynesian language which would hardly have been imaginable a few years ago: "The budget deficit has enormously increased demand in the U.S. economy simply by giving the taxpayer more purchasing power. This force has been propelling the economy for two and a half years. Meanwhile, draining away purchasing power from the economy, the trade deficit has been nibbling at the expansionary force of the budget deficit."

The critical corollary in Mr Wallich's words is that "the rest of the world is as dependent on the stimulus it gets from our imports of their goods as the U.S. is on our imports of their capital."

In blunter language—anything which dampens America's demand for imports, even if this involves a reduction in U.S. budget deficits and helps to bring world trade into better long-term balance, would imperil the world economic recovery.

According to the latest OECD Economic Outlook, the faster growth of exports than imports accounted for 35 per cent of Japan's growth rate last year. The corresponding figures for other countries were 58 per cent in Germany, 59 per cent in France, 50 per cent in Belgium, 20 per cent in Sweden and 21 per cent in Canada. Of the biggest industrialised countries, only Britain and Italy, apart from the U.S., increased their imports faster than their exports, thus giving a boost to demand in the rest of the world.

An even more striking, and longer-term view of the problem is provided by the BIS. Its annual report this month devoted considerable space to analysing the role of foreign demand during the whole of the current economic recovery since its beginnings, in the fourth quarter of 1982. In Japan, net foreign demand has contributed no less than 42 per cent to GNP growth—against

Anything which dampens America's demand for imports would imperil the world economic recovery

an average of only 2 per cent in previous post-war economic recoveries. Contrary to popular belief, these have mostly been well-balanced and internally-generated in Japan.

In Germany, the foreign contribution to this recovery has ben 17 per cent, against a 12 per cent average. In France, which has been squeezing relentlessly on domestic demand, net exports have accounted for an astonishing 55 per cent of GNP growth, compared with a *negative* contribution to growth in previous post-war recoveries, when France has typically allowed imports to outpace the rate of export growth.

America's role in generating the export-led growth of other countries emerges clearly from a recent study by Data Resources, a leading econometric forecasting firm. This shows that the U.S. market has accounted for the *whole* of the growth of exports in 1984 from eGrmany, Italy, Belgium, Taiwan, Indonesia, Colombia, Ecuador and Venezuela. It has accounted for two-thirds or more of 1984 export growth in every other major industrialised country with the exception of Britain and the Netherlands.

In fact, of the 30 countries studied by Data Resources, all but Britain, Australia, China, Malaysia and Argentina relied on the U.S. for 50 per cent or more of last year's increase in export sales.

Yet in normal times, the U.S. market accounted for less than 8 per cent of total exports, in the case of all the Continental European countries, 30 per cent of total exports from Japan, and less than 40 per cent in all the developing countries with the exception of Mexico and Ecuador.

One implication from all these statistics is that Europe has probably benefited at least as much as Asia from the surge in U.S. imports. Indeed, the Data Resources figures suggest that all the European countries, apart from Britain, have built up their U.S. shares even faster than the Japanese — albeit from much lower levels.

It is, however, the gloomier side of this trade picture, which is increasingly preoccupying international economists. What if the U.S. becomes unable to go on running current account deficits as big as this year's $120bn, or the $145bn predicted by the OECD for 1986? Or wht if American manufacturers and politicians become *unwilling* to permit such deficits, even if the outside world is prepared to go on financing them with capital inflows?

During the first few mon?s of this year, U.S. officials, particularly Mr Paul Volcker, chairman of the Federal Reserve Board, started drawing forceful attention to the-first of these questions, pointing out that the continuing accumulation of foreign debts required to finance growing current account deficits will eventually become unsustainable.

One ulterior motive behind this publicity was almost certainly to "talk down" the overvalued dollar, by explaining the fundamental financial forces which sooner or later would bring the U.S. currency back to earth.

However, the campaign to talk down the dollar has been no more effective than the sharp decline in interest rates which the Fed has engineered since the signs of a slowdown in the U.S. economy became unmistakeable in the second half of last year. Despite a fall in Eurodollar deposit rates from 12½ per cent last June to their current 8 per cent, for example, the dollar is 8 per cent higher today, on its trade-weighted index, than it was a year ago.

Nobody can say precisely how much of the 43 per cent surge in the volume of U.S. imports between the second half of 1982 and the second half of 1984 has been due to the overvalued dollar and how much to the contrast between rapidly growing domestic demand in America and the sluggishness induced by austere policies in the rest of the world economy.

The tentative attempt made by the BIS to untangle these effects, suggests that only 35 per cent of the increase in U.S. imports may have been due to U.S. domestic demand growth, with another 10 per cent attributable to a long-term trend growth in import penetration. This leaves 55 per cent of import growth to be explained primarily by the overvaluation of the dollar.

However, such calculations seem almost irrelevant in the face of the foreign exchanges' continuing indifference to the long-run financial unsustainability of America's trade performance.

As the dollar continues to defy gravity, the second danger raised by the U.S. trade figures —that the U.S. Congress may turn to protectionism in order to curb imports—is the one that has the international economic establishment genuinely worried.

The competitive advantages which foreign manufacturers have derived from the overvalued dollar emerge from figures on comparative labour costs published last week by the U.S. Department of Labour.

In the past two years, American workers have enjoyed smaller real wage increases than workers in other major industrial countries. Real hourly compensation in U.S. manufacturing increased by only 0.1 per cent from 1982 to 1984, compared with increases of 2 per cent in Japan and Germany and 5 per cent in Britain.

But the dollar easily overwhelmed the benefits of this wage restraint for U.S. manufacturers: from 1982 to 1984, their unit labour costs increased by 1.9 per cent compared with their competitors in Japan, 16.5 per cent compared with Germany and 21.6 per cent compared with Britain.

One sector of U.S. industry after another has fallen victim

The danger of Congress turning to protectionism

to relatively low-cost foreign competition and, as the computer industry suffers its worst-ever shake-out, even the hope of a high-tech revolution in America's industrial structure is fading. In the next year or so, a further slowdown in overall economic growth, leading perhaps to a gradual rise in unemployment, is likely to be added to these troubles.

Under these circumstances, the pressures for protectionism in Congress seem bound to grow unless there is a rapid, and unexpected change in the world economic or financial environment.

In the end, the fear of protectionism could turn out to be a stronger argument even than domestic unemployment or the Third World debt problem, in forcing governments outside America to concentrate their minds on today's greatest economic challenge—how to keep the world recovery going, now that the U.S. locomotive has lost power.

Weill leaves American Express

When Sandford Weill handed over the running of the now renamed Shearson / American Express investment banking unit to Peter Cohen in 1983, corporate folk lore has it that the effervescent Weill presented his protegé with a pair of oversize shoes just to show him what he had to fill.

Whether a similar ceremony marked Weill's decision to step down as president of American Express and pass on the number-two job at the financial services group to Louis Gerstner is a matter of conjecture.

For Weill, 52, the parting with Amexco and its 49-year-old chairman, James D. Robinson III, though apparently friendly, must be a wrench.

Sandy Weill, who has a reputation on Wall Street as big as his smile, is a self-made businessman who has amply demonstrated his ability as a deal-maker and corporate strategist. Starting out as a Wall Street runner, he formed his own brokerage firm and went on to build Shearson into one of the largest brokerage houses.

Perhaps his biggest coup was engineering Shearson's 1981 merger with American Express for $930m. Since then, he ha: pivotal, role in Amexco's flood pivotal role, in Amexco's flood of major acquisitions.

Now, after helping calm the crisis at Amexco's troubled Fireman's Fund insurance unit, he is quitting "to do his own (unspecified) thing again."

For Gerstner, 43, who has risen steadily through Amexco's tough management ranks over the past seven years, the president's job represents not only the chance for a shot at the chairman's position should "Jimmy Three Sticks" Robinson decide eventually to return to his venture capitalist roots; it is also recognition of the part he has played in reshaping Amexco's cash-cow, its travel related services unit (TRS).

Men and Matters

"Service in this hotel has improved—complained about the shower and three Special Branch men were up immediately"

Gerstner, who is currently chairman of the group's executive committee as well as chairman and chief executive of TRS, is widely credited with masterminding the card, travellers cheques and travel division's recent rapid and highly profitable growth. Last year the unit contributed $3.62bn towards Amexco's $12.9bn in total revenues, and $387.1m of its $609.6m in net profits.

Although he has always played down his own ambitions, Gerstner has long felt a bit miffed that while TRS provides over half the group's profits, it has been Amexco's Wall Street brokerage and investment banking operations under Peter Cohen which have consistently stolen the public limelight.

As president of Amexco, while retaining the TRS unit crown, Gerstner, a forceful manager in the Amexco mould, may be hoping he can redress that balance.

Fallen hero

Bill Kieschnick's announcement that he will step down as chief executive of Atlantic Richfield (Arco), the West Coast oil group, has cauht Wall Street by surprise and set the rumour mills rolling. Less than two months ago he introduced a dramatic shakeup of the company and in normal circumstances had another three years to go.

Given the recent upheavals in oil Kieschnick's departure has igven rise to the speculation that he miht have been pushed by Robert Anderson, Arco chairman for the last2 0 years.

Anderson, 68, has taken big gambles as he built Arco into a major international oil company. He handed over the chief executive's job to Kieschnick justo ver three years ago and the new man seta bout dismantling several of Anderson's more ambitious diversification moves. The process came to a head in April when the company announced a $1.3bn write-off and a plan to turn itself into amuch smaler but more profitable oil company.

In Wall Street, Kieschnick was elevated to near hero status for daring to do things other oil bosses woul dnot dream of, but it was reported that not everybody at Arco in Los Angeles was happy.

Yesterday Arco men played down the talk of top management dissension and noted that Kieschnick will remain as a board member. He is handing over to Lodwrick Cook, 57, 29 years with the company and a petroleum engineer by training. Like Kieschnick, he is a Southerner.

Kieschnick's departure in October still leaves unanswered the question of who will take over the chairmanship when Anderson steps down. Although he has delegated a lot of responsibility, Arco is still regarded very much as Robert Anderson's company. Like 86-year-old Dr Armand Hammer, who heads its Los Angeles rival, Occidental, Anderson shows no signs of going. It must be the California air.

Duty roster

The Japanese government had trouble yesterday translating its actions into words. Plans were announced to cut tariffs on so many items that even officials did not have full English-language lists available at the press conference.

But there was enough among the items listed to cause a stir of excitement. European journalists rushed off to report to the folks back home that Japan is going to cut the duty on jelly-fish (prepared or preserved) by 2 per cent and free completely imports of oak leaves.

This liberalisation of trade will extend, too, to something called blood ark shell—but I have not yet traced an exporter for a coment on how this will affect the balance of payments.

American reporters, similarly, found much good news to purvey to their readers. Japanese barriers are being lowered for U.S. walnuts and pistachios; and the market for menthol is to be opened a little.

They were intrigued to learn, too, that no duty will be charged in future on imports of U.S. "polished skin" but a bit disappointed later to find it is made from aluminium.

Observer

The 'Technology Gap' is bound to be high on the agenda at this weekend's EEC Summit: here are two personal views

Exploding the myths about what's wrong

By Henry Ergas

AFTER a hasty burial some 15 years ago, concern about Europe's "technology gap" has staged a remarkable resurrection.

The symptoms of the problem are clear enough and have been extensively described, though sometimes too simplistically; but misapprehensions abound as to the causes and the possible cures. (As in all areas, the greatest dangers lie in "what people think they know that ain't so.") Three widespread beliefs about the sources of European technological performance fit into this category.

The first is "not enough R&D"—with the solution being yet more public subsidies for *R&D in high technology industries*. The EEC countries already spend massively on R&D in high technology industries: in total, only slightly less *than the U.S.* and considerably more than Japan.

Government subsidies to high technology R&D in the EEC are also about level with those in the U.S. and surpass those in Japan by a factor of ten. Per unit of output and especially exports, the R&D spending of EEC high technology firms—*and notably* that part of it financed by public money—vastly exceeds that of its trading partners. Whatever the cause of Europe's difficulties *may be it is not* that too few resources are devoted to R&D.

The second is "firms not big enough to carry out R&D"—with the proposed solution being mergers and link-ups between European firms and the replacement of "national champions" in each country by "European champions." To begin with, this claim is factually incorrect. Excluding the oil companies, there is not a significant size differential between European and U.S. firms.

More fundamentally, this argument confuses the chicken and the egg. Particularly in high high technology, innovative industries, firms do not succeed because they are large, but are large because they succeed. This is not to deny that economies of scale and market power are facts of life. But in the 1950s, IBM was hardly larger than *some of its* major European challengers; and it was certainly smaller than GE and RCA. Who would claim that the advantage Norsk Data—one of Europe's *true success* stories—has over Siemens *is* one of size?

The belief that size equals strength has long been the *analytical justification for* the national champions strategy. In practice this strategy has compounded weaknesses and undermined strengths. The putative champions have been *forced to* salvage the assets and labour force of nearly bankrupt domestic firms operating in the activity. Formed from disparate origins, most of their energy goes into resolving internal management problems and lobbying for further government support. Preferential public procurement has absolved them from developing a proper sales organisation and prevented them from rationalising their product range. It is difficult to believe that these problems can be resolved by transposing the national champions strategy to a European level.

The causes of lower R & D efficacy lie primarily in the European environment for innovation

Even more seriously, support *for* the national champions has prevented *other*, more viable, domestic firms from developing. An intelligent observer, surveying the nascent technologies of 1950, could hardly have predicted which U.S. or Japanese firms would emerge as the giants of the information industries: IBM would have seemed a poor prospect relative to GE or RCA; who would have thought of Wang, Sony, DEC, Kyocera or Intel? But the European firms would have been easier to predict—they are the same today as the giants of 35 years ago; the process of generational change has largely passed them by.

This is not as surprising as it may seem. With public markets, public R&D subsidies and public export assistance massively concentrated on national champions inherited from the past, what rational *private investor* would be willing to finance the new competitors of the future?

The third argument I would like to address is "protection"—the *claim* that U.S. and Japanese firms, in addition to other advantages, have benefited from large and protected home markets. In the case of the U.S. *this is usually linked to defence* procurement; in the case of Japan to overt and covert restraints on foreign competition. Given this diagnosis, *the proposed solution is* strengthened protection, either at a national or European level.

Protection—whether high-tech, mid-tech or no-tech—has costs, not only for consumers but also for unprotected industries. Huge U.S. defence expenditures, whatever their other effects, withdraw resources—most notably manpower—from other, commercially-oriented, high technology activities. They lead firms to concentrate on high-cost, over-engineered products rather than on market requirements. Equally, one can wonder which has done more to propel Japan's drive into world advanced technology markets: the highly protected computer and space communications firms or the consumer electronics firms which have received little or no government assistance?

These points also apply to Europe. The highly protected telecommunications sector absorbs 20 to 30 per cent of Europe's software resources—six times more than in the U.S. Given the shortage of trained software specialists, this is a straightforward tax on the European commercial software industry.

But the problems with the protectionist response are even more fundamental. Like the U.S., the European countries spend heavily on defence R&D; like Japan, they protect a number of industries which they believe strategic. But unlike the U.S., the benefits from defence expenditure hardly percolate beyond the defence industries; and unlike Japan, *the response to protection*, most recently of video tape recorders and compact discs, has hardly been encouraging.

These remarks point in one general direction: the *efficacy* of the European innovation effort. Seen in international perspective, it is not that the EEC countries spend too little on R&D, or that it *is* carried out in firms which are below the size threshold of critical mass, or that these firms are denied adequate protection and assistance; *but that the returns to* R&D investment, to firm size, and to public assistance are too low.

This, it is sometimes claimed, is because there is so much duplication of R&D efforts in Europe, but this argument does not stand up to scrutiny. No one can predict which out of several competing R&D projects will succeed; the advantage of large countries and regions is that they can spread their risks over a broad range of projects. Concentrating these risks would not only reduce the efficacy of each individual project, but the chances of success overall.

Rather, the causes of lower R&D efficacy lie primarily in the European environment for innovation. Three critical factors are at work.

First, though the EEC accounts for 40 per cent of total OECD high technology demand, its continuing fragmentation drastically reduces the demand confronting each producer and hence diminishes the incentives for firms to innovate.

Second, the technical infrastructure European firms can draw on to innovate is weaker than that of their rivals overseas. Fewer young people in the EEC complete a full span of secondary and tertiary education than in the U.S. and Japan. No one would dispute the quality of much of European university research; but, by and large, the EEC countries spend much less per student and researcher than the U.S. or Japan, and industry has greater difficulty in accessing the results of university research. Finally, the EEC countries devote a much higher volume of funds (twice as much) than the U.S. or Japan to government research laboratories, subject neither to the competitive discipline of the market or of the search for academic excellence.

Features of the industrial structure compound these effects of lesser demand pull *and technology push. In particular*, the threat of new competition—and hence the imperative to innovate—is necessarily weaker in countries whose rates *of creation of new high technology firms* are half those in the U.S. and Japan. This is partly because of structural factors, but the role of public policies should not be overlooked.

Consider the telecommunications equipment industry. A new firm trying to provide modems or PABXs for the EEC market would face regulatory costs nearly 100 times higher than those required of its U.S. counterpart.

It is often claimed that these regulatory burdens are needed to protect European firms from powerful foreign multinationals. However, regulatory costs of even several million dollars are unlikely to deter a large U.S. or Japanese firm from entering the European market. But their impact on a small, new firm can be devastating. It is no surprise that the new generations of telecommunications terminal equipment—be they modems, PABXs, or communicating work stations—are not being pioneered in Europe.

Removing these barriers deserves the highest priority. The whole history of European integration proves that harmonising can only be achieved by liberalising. Twelve governments cannot be expected to agree on 10,000 regulations. If agreement is to be reached it must be on a few basic requirements, the rest can only be left up to the market. This is as true of high technology as of other industries; it applies with special force to telecommunications.

International competition in high technology is not a zero sum game. All countries gain from the race, and the EEC countries, with sound macro-economic policies, strong trading links with the world as a whole, and a human capital of nearly half a million researchers, are especially well placed. They will need to find the strategic courage to enter it on the most favourable possible terms.

The author works for the OECD in Paris and is a senior research associate at the Centre for European Policy Studies in Brussels.

Wanted: an industry that is world class

By R.W. Wilmot

THE *national high-technology* markets of the 1970s are rapidly becoming the global markets of the 1980s. Much of the impetus behind this change stems from Japan, whose companies often compete three or four at a time to gain economies of scale in selected "target" markets.

Each company aims for at least 5 per cent of the world market, which involves "targeting" the U.S. and Europe. This demands formidable organisation and sense of purpose—as well as the management ability to take big risks and to ensure that existing products and marketing support new ventures until these become profitable.

In the U.S. the same ends are achieved by different means. Every year $4bn of venture capital funds the creation of "start-up" companies. Typically, these aim for 10 per cent of the U.S. market. This is equivalent to the 5 per cent of the world market needed for economies of scale but does not require Japanese-style international "targeting." It is misleading to view U.S. start-ups as small businesses: they are embryo big companies, around which service companies and small businesses spring up.

In Japan, once four semiconductor companies (NEC, Fujitsu, Hitachi, and Toshiba) had each captured 5 per cent of the world market in 1983, a second wave surfaced (eg. Matsushita, Mitsubishi, Sharp, and Oki) and are now being joined by a third wave (Ricoh, Sony, NMB, etc).

This process creates fierce competition. Similarly, when a U.S. start-up company becomes a winner, it rapidly attracts a dozen or some imitators. In the ensuing battle the decisive factors are quality of management and sound financing, not a temporary technological lead.

By contrast, Europe is caught in the cross-fire. Even its largest electronics companies have difficulty attaining in Europe the production and market volumes from which to launch profitable *initiatives in the U.S., let alone* Japan.

High EEC tariffs have encouraged delays in essential cost cutting while collaborative research, such as the EEC's Esprit programme, is only the tip of the iceberg. In reality, every £1 spent on research needs further investments of £10 in development and £100 in production and marketing to succeed on global markets.

European governments which subsidise well over 30 per cent *of the cost of inward* investments by large, cash-rich American and Japanese companies rob Europe's industry of any incentive to attack these *problems. Subsidising* competitors to grab key staff and market share is pure industrial madness. Inward investors set up in Europe for one reason: *to take cash flow out of Europe.*

On their own eye-catching European technology projects, such as Eureka, will not solve any of these problems and could *even perpetuate industrial* fragmentation and delay real solutions. While they might form a part of a wider package of measures, we must not be seduced into thinking of them as panaceas.

There are two fundamental challenges:

● How to reduce the fragmented high-technology effort across the Community so as to produce three or so industrial enterprises organised on a genuinely European scale and equipped to execute Japanese-style "targeting" strategies.

● How to make venture capital operate at a European level so that start-ups treat all of Europe as their home market, 20 per cent of which is 5 per cent of the world market.

Misleading to view U.S. start-ups as small business

Slavish copying of the U.S. and Japan will not work. Europe must devise its own answers if it is to create truly European enterprises enjoying competitive economies of scale. Full-blown mergers have already been tried—and failed. A better way is for companies to form new, jointly-owned groups by pooling selected operations and management resources in areas where teaming up makes real commercial sense.

Clearly, this would require a dramatic change in attitudes and a willingness by companies to look beyond narrow, short-term interests. The best catalyst is fiscal stimulus. This can complement market forces, rather than replace them—and it works. Esprit has already shaken up EEC's research community *by forcing its members* to criss-cross Europe in pursuit of EEC grants.

It is debatable whether more research is being done, but more contact between researchers is undoubtedly accelerating technology diffusion throughout the EEC.

As for venture capital, this *took off in the U.S.* in the 1970s not because Americans suddenly became more entrepreneurial, but because capital gains tax was cut to 20 per cent. In the UK, the Business Expansion Scheme has stimulated a frenzy of activity. So far, though, little of the money has gone into European technology start-ups with world-class potential.

My chosen fiscal instrument would be a European Enterprise Scheme for Qualifying European Enterprises (QEEs). These could either be joint ventures between existing companies, or start-ups, which as a minimum featured European incorporation, financing and management. Investors in them would be entitled to personal and corporate tax deductions (or tax credits).

I would like to see all inward investment subsidies abolished and the money used to set up a European Enterprise Fund. This could, for an experimental three-year period, offer QEEs *matching funds of 30 per cent* of all the new equity finance they raised.

The EEC should also introduce more attractive and uniform tax treatment of realised capital gains for founders' equity, staff stock options and investors in QEEs.

EEC finance ministers could, if they wished, take the necessary decisions in an afternoon, with minimal impact on their existing national tax policies. My proposals rely not on "picking winners" but on the efficient working of the capital markets and the backing of financial institutions, which will otherwise increasingly shift their investment emphasis away from Europe.

The author is chairman of ICL

Letters to the Editor

Accountancy practice

From Mr P. Anderson

Sir, — The Johnson Matthey Bankers episode is certainly on a scale that defies belief, as David Lascelles (June 22) pointed *out. Apparently, under present* accountancy standards and legislation, there is nothing to safeguard such future dramas from unfolding. The accountancy profession needs to examine its relationship with its clients to ensure that those who pay the piper are not allowed to call all of the tunes, as present auditing practices seem to allow.

Professional bodies qualified to function and produce audited accounts as instructed by clients, need to examine their own role.

If, as Nigel Lawson suggests, the Old Lady had fallen down on the job and the claims for industrial *injuries* were *on an* unprecedented scale of benefit from the public purse then, as gentlemen should be expected, not only those who are being accused of pushing the *Old Lady* down but also the professional standards required to push and cause such damage, should be looked into.

May I, therefore, suggest that auditing practices as carried out in that section of the economy that has provided the JMB hiccup be subjected to the same standards as those now applying to local government. The "Code of local government audit practice for England and Wales," published by the Audit Commission, shows how a professional body is able to contribute to the cleanliness of the affairs it is called upon to handle. The main contributor to this publication is the Chartered Institute of Public Finance and Accountancy.

P. Anderson.
179 Central Avenue,
Hayes, Middlesex.

Complaints against solicitors

From Mr S. Best

Sir,—An *independent* body for dealing with complaints against solicitors, as recommended by Coopers & Lybrand (June 18) and earlier by the National Consumer Council, has the great disadvantage that, as well as catering for the legitimate complainant, it will be seen as opening the door in welcoming *fashion to all* those —and they are many—with imagined grievances.

There is a halfway house for those who do not want the sole recourse of the *complainant to* be the Law Society. In 1983, I proposed that, where financially eligible, the complainants should be given legal aid, thus enabling them to *consult* a solicitor local to them as in the case of alleged professional negligence. This would enable differences to be sorted out where misunderstandings had occurred and disciplinary proceedings to be taken in serious cases. The snag with the Law Society's present role is that complainants have to send detailed, factual, logically-composed complaints by letter and most cannot or will not.

Central to my proposals, however, *is the provision* that where the solicitor is found to be *innocent he should recover* the cost of defending his reputation either from the complainant (when not legally aided) or a public fund.

Stanley Best,
(Immediate past-chairman, British Legal Association),
116 London Road,
Southborough,
Tunbridge Wells,
Kent.

Efficient market theory

From Dr J. Tadion

Sir,—I find it reassuring to read in Mr Mully's letter (June 18) that "the apparently 'stable' trends *revealed in* charts are perfectly consistent with being a series of cumulative random numbers."

Be that as it may, some currency traders, *such as myself*, make use of these "apparently stable trends," whatever generates them, to make a satisfactory profit year after year. In *replying* to Mr Cornford's letter (June 13) Mr Mully writes that "if he were to take the first difference in price along his trend line and plot *this against* time he would be impressed by the clear lack of dependence which exists." Quite so, but in saying this he ignores smoothing the price first to eliminate noise. If Mr Mully would use exponential smoothing, best estimate or other methods available and treat the result as runs non-parametrically he would find that the market more often than not is decidedly non-*random.*

If a fund manager or any trader with a gearing of, say, ten to one at his disposal is unable to outperform the *market, or at least put up* a good performance, it is not because of the efficient market theory or random walks but because he cannot identify *these apparently stable trends* early enough. Realising that forecasting the markets is very much in its infancy I am not surprised if most cannot do so.

(Dr) J. Tadion.
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A barbaric relic

From Dr G. Myddelton

Sir, Sir Walter Salomon's forecast (June 18) of a central bank refusing to take gold in payment conjures up a hilarious picture worthy of H. M. Bateman. The chief cashier of the Bank of England is shown ordering a diffident little man with a bag of gold off the premises with an imperious gesture: "Take that barbaric relic right out of here. I wouldn't dream of exchanging it for my lovely newly printed bank notes!"

The only spectator who might not laugh would be the customer with £100 worth of War Loan, bought in 1915 with 100 sovereigns, which if sold 70 years later would just about raise half the current price of that gold coin. His patriotic faith in the Old Lady of Threadneedle Street has lost him 99½ per cent of the original investment and he can hardly be blamed if he now feels a little bitter about paper money and Maynard Keynes.

(Dr) Geoffrey Myddelton,
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Vaud, Switzerland.

Are the EEC and the United States pushing Japan too far?

From the Deputy Head,
EC Delegation, Tokyo

Sir,—Are the EEC and U.S. pushing Japan too far as Jurek Martin suggests in his Lombard of June 14? Let's look at his arguments.

The issue of the large retail stores is one of substantial importance for foreign exports of consumer goods. In Japan these stores particularly the supermarkets, are considered as the most suitable for the promotion of manufactured imports because of their nationwide networks, the possibility of large-scale *direct* imports and their relative independence of the large Japanese economic interest groups. These stores, however, have only 12 per cent of the retail *market* and their number is deliberately kept down by a very tight policy of administrative guidance of the MITI and local authorities. Moreover, sales of *imported* alcoholic beverages could be considerably increased if supermarkets could obtain the necessary licences which they are presently denied by the Ministry of Finance.

Jurek Martin's argument is that the loss for Japan in terms of unemployment and damage to the social structure will be inordinately heavy. This might be true although not everybody in Japan thinks that way. A report of the Economic Planning Agency of June 1984 draws attention to the negative impact of MITI's administrative guidance in this field in terms of difficulties of satisfying consumers' needs, misallocation of resources, discouragement of innovation and prevention of competition.

But the question should also be put in a *wider context*. All industrialised countries have had to sacrifice things dear to their societies and traditions as an unavoidable price of having free international exchanges based on economy *of scale in a* worldwide market. Unemployment is a complex phenomenon but one should recognise that these elements have contributed to the European unemployment figure of 11 per cent.

Against this background, should Japan maintain a distribution system that is an important impediment to imports, because of its alleged social texture and its unemployment situation while at the same time harvesting the benefits of open markets for its consumer products abroad in countries with serious employment problems? This means having the best of both worlds: the benefit of the open system worldwide and the export of unemployment to the EEC and the U.S.

As to the claim that foreign lawyers be allowed to practise in Japan, one has to realise that what the EEC wants is the possibility for lawyers to advise on international transactions, to act *as consultants* and to be associated with Japan's patent attorneys and accountants and to remain under the control of official Japanese governmental institutions and courts, not of the powerful Federation of Bar-associations; to evoke the image of foreign legal sharks turning every court room in Japan into a living Daumier print does not correspond to this claim. It is very unlikely that Japan will be flooded by legal experts. But the presence of a number of foreign lawyers would be highly positive as it could help to overcome a lot of misunderstanding and confusion and has little to do with litigation.

There is great concern, at least in *Europe, about* the threat of protectionism. It is obvious that Japan can make an essential contribution to avoiding that frightful prospect.

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FINANCIAL TIMES

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BRUSSELS PROJECTS CONTINUED DECLINE IN INFLATION

Steady EEC growth is forecast

BY QUENTIN PEEL IN BRUSSELS

A MODERATE but steady expansion in economic activity in the EEC, coinciding with a sharp increase in the overall Community trade surplus and a continued decline in the rate of inflation, was forecast yesterday by the European Commission.

The predictions for 1985 and 1986 suggest a steady growth rate of 2.3 per cent, despite a reduction in the expansion of world trade and a slowdown in both the U.S. and Japanese economies.

At the same time, the combination of weak commodity import prices, including oil, and only a gradual decline in the strength of the dollar, should boost the Community's visible trade surplus to $16bn this year, and $26bn in 1986, the forecasters say.

The slower expansion of world trade is blamed on the reduced growth in the U.S. economy and the continuing difficulties of most developing countries. However, the principal stimulus for EEC countries will continue to come from exports of goods and services.

Consumer spending, which only grew at a rate of 1 per cent in 1984, will accelerate to 1.5 per cent this year, and catch up with the overall growth rate of 2.3 per cent by 1986, the forecast concludes.

Investment spending should also recover slightly, although still running well below the growth rates for the U.S. and Japan. The EEC rate of increase is put at 2.2 per cent this year and 2.9 per cent in 1986, compared with U.S. figures of 5.9 per cent and 5 per cent, and Japanese rates of 6.8 per cent and 5.8 per cent.

The most notable EEC success has been in fighting inflation, with the forecast rate for 1985 of 5.4 per cent, less than half the figure of 11.7 per cent recorded in 1981. By 1986 the rate should be down to 4.4 per cent, the Commission official concludes.

On the employment front, the creation of jobs in 1985 will still not be enough to prevent a further small expansion in unemployment, but the jobless figure is expected to stabilise at around 11.1 per cent by 1986. The comparable U.S. figure is put at 7.7 per cent, while the Japanese rate is unlikely to exceed 2.8 per cent.

The forecast assumes a decline in real growth of gross national product in the U.S. from 6.8 per cent last year, to 2.7 per cent in 1985, and 2.4 per cent – only marginally above the EEC – by 1986. The slowdown is attributed to private consumption no longer being boosted by personal tax cuts, and government spending beginning to react to measures to reduce the budget deficit.

The exchange-rate assumption excludes any sudden collapse in confidence in the dollar, but rather projects a gradual weakening over the next 18 months.

On the balance-of-payments front, European exporters will therefore continue to benefit from the relatively strong dollar, while imports will remain more modest because of weak commodity prices. Import prices are expected to increase by some 2 per cent, against a 3 per cent rise for exports, resulting in a further improvement in the terms of trade.

Although the traditional EEC deficit on invisibles is expected to continue to increase, the current account surplus of the 10 nations should reach $9bn in 1985, and $19bn by 1986.

UK police operation to thwart IRA bomb campaign

By Margaret Van Hattem in London

POLICE in Britain are mounting "one of the largest preventive operations ever mounted" in the wake of arrests pointing to a planned widespread IRA bombing campaign, Mr Leon Brittan, the Home Secretary, announced yesterday.

Mr Brittan said Sir Kenneth Newman, commissioner of the London Metropolitan Police, would coordinate the operation.

Sir Kenneth, formerly Chief Constable in Northern Ireland, will set up a co-ordination centre and clearing house – to which officers of individual forces may be seconded – to maximise co-operation and free flow of information between the forces involved.

Since last Saturday, police have questioned 21 people detained under the Prevention of Terrorism Act about a number of offences, including the bombing of the Grand Hotel in Brighton during last year's Conservative Party conference.

Last night, the police said they had released eight of these but were still holding eight in Glasgow, Scotland, three in Sussex and two in London.

Mr Brittan told the House of Commons that police had reason to believe that IRA preparations for a bombing campaign at hotels in 12 British seaside resorts had been interrupted at an early stage. They believed that a bomb discovered on Sunday at the Rubens Hotel near Buckingham Palace in London was the only device so far planted.

The bombs were to have been primed to explode at intervals throughout the peak of the holiday season, from mid-July, and were intended to be indiscriminate in their victims, he said.

In the Commons, the police received acclaim for their efforts from all parties. Mrs Margaret Thatcher, the Prime Minister, commending the police for their skill and efficiency, promised that "all possible resources" would be made available to enable the most rigorous search of hotels in all the towns listed.

Mr Neil Kinnock, the Labour leader, warmly congratulated the police for their "remarkable detective work and success achieved against the Provisional IRA."

Irish government officials expressed warm praise for the police and "profound relief" at the thought of what had been averted. They also expressed hopes that the events would draw the London and Dublin governments closer together

Monopoly probe for BT's Mitel purchase

By Jason Crisp in London

BRITISH TELECOM'S proposed £180m ($230.4m) acquisition of a 51 per cent stake in Mitel, the Canadian telecommunications manufacturer, has been referred to the Monopolies and Mergers Commission.

Mr Norman Tebbit, Trade and Industry Secretary, referred the deal following a recommendation from the Director General of Fair Trading which was also backed by Professor Bryan Carsberg, director general of the Office of Telecommunications.

Sir George Jefferson, chairman of BT, said yesterday: "I am both disappointed and surprised by the Secretary of State's decision. We believe that we have an excellent case to put to the Monopolies and Mergers Commission. But we regret the loss of time entailed in this reference. We very much hope the commission will make every effort to deal with the matter quickly."

The deal has been referred because BT dominates the UK market for private telephone exchanges (PABXs) which is also Mitel's main product line. The Fair Trading Act 1973 requires that a merger which results in a 25 per cent share of the market to qualifies for referral to the commission. BT has around 90 per cent of UK market for small PABXs.

BT's share of the market would be slightly increased by the Mitel acquisition. Most of the Canadian company's UK sales are through BT itself but its products are also sold by ICL and Norton.

Other British telecommunications manufacturers such as Plessey and GEC objected to the proposed takeover. They feared that once BT, effectively the monopoly distributor of PABXs, had its own manufacturing company they would be put at an unfair disadvantage.

BT has argued that it would not change the existing distribution agreements. It has said it is buying Mitel to gain access to the North American and other world markets and to move into manufacturing.

The commission, which has six months in which to conduct the investigation, has to decide whether or not the acquisition is against the public interest. The argument is likely to hinge on which is more important; BT's aspirations to become an international information technology company or the UK manufacturers fears that they may be squeezed in their domestic market.

The proposed acquisition also has to be approved by the Canadian and U.S. authorities. Given that Mitel has been in financial difficulty it was thought unlikely that the Canadians would object to takeover by BT which would have meant a C$300m ($220.5m) cash injection for the company.

Last night BT shares closed at 171p, down 4p as a result of the news.

See Lex

Schroders to dispose of 75% of U.S. banking interests

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

SCHRODERS, the UK merchant banking group, is to sell 75 per cent of its U.S. commercial banking interests to the Industrial Bank of Japan (IBJ) for $108m. The deal, which will be done in two stages over two years, will free Schroders to enter the traditionally more profitable U.S. investment banking business.

It will also create a partnership in the U.S. market between Schroders and IBJ, which is the seventh largest bank in Japan and one of the few banks in the world with a triple A credit rating.

In the first stage, due early next year, IBJ will pay $73.1m for 51 per cent of the share capital of three Schroder subsidiaries, J. Henry Schroder Bank & Trust Co, J. Henry Schroder Banking Corp, and J. Henry Schroder & Co, which are engaged respectively in banking, trust banking and leasing. Eighteen months later it will pay $34.5m to raise its stakes to 75.1 per cent.

The Schroder banking activities, which will retain the J. Henry Schroder name, have assets of about $2bn and earned $9.7m after tax last year. The price represents a premium of about 15 per cent over the businesses' net asset value, which is $125m under U.S. accounting principles.

Schroders will retain 100 per cent interest in its non-banking U.S. subsidiaries which are engaged in investment banking, mergers and acquisitions, venture capital and investment management. Once Schroders' holding in the commercial bank falls below 25 per cent, it will no longer be subject to the U.S. Bank Holding Company Act which bars banks from entering most securities-related activities.

Mr George Mallinckrodt, executive chairman of Schroders, described the deal as "an important strategic development for all the group's businesses in New York," and said it was "consistent with the worldwide strategy set for the group two years ago" when Schroders decided to develop its securities business.

IBJ is keen to develop U.S. banking and sees the acquisition as a means to provide banking services both to Japanese companies in the U.S. market and U.S. companies in Japan. Although the deal will create ties between Schroder and IBJ, the partnership is limited to the U.S. market.

The deal was viewed in London financial circles yesterday as a well managed move by Schroders to sell a lacklustre banking business and escape from the constraints of U.S. bank regulation into the more attractive securities field. However, Schroders is reluctant to detail its plans because the transaction still needs the approval of U.S. bank regulators.

Schroders share jumped 15p to 65p on the London Stock Exchange

See Lex; Details, Page 28

Snap general election likely in Portugal after Soares quits

BY DIANA SMITH IN LISBON

PORTUGAL'S SOCIALIST premier Sr Mario Soares has now formally delivered a letter of resignation to President Antonio Ramalho Eanes, 11 days after announcing his plan to resign.

Sr Soares's formalisation of his intention to resign might make it possible for President Eanes to nominate an independent premier to head a caretaker government in which the Socialists would play a prominent part.

It seems likely now that the President has little choice but to dissolve parliament in the next few weeks and call a snap general election.

His attempt to persuade other main parties to form a consensus with the Socialists that would permit basic legislation to be dealt with and provide some continuity until the December presidential elections, fell flat. None of the main parties was willing to cooperate.

Sr Soares and the president had been doing all they could to avoid early general elections, which, they believe, would incur tremendous costs to the nation, both politically and economically. An election is not expected to alter voting pattern substantially. It is likely to deter badly needed economic decisions while the nation is once again faced with the end of a government long before completion of its mandate.

The other parties have all been pushing for elections, showing no desire to provide the kind of stability that the president and Sr Soares had hoped for.

● Portugal's current account achieved a monthly surplus in March. As a result, the quarterly balance of payments deficit on the current account (January-March 1985) was only $69m, a 74.4 per cent improvement over the first quarter of 1984.

The current accounts are performing so well that Bank of Portugal officials predict the year-end result may be a balance of payments deficit of $400m – half the working figure of $800m on which Portugal's foreign borrowing requirements were based earlier this year.

While shrinkage of the deficit and appearance of a $80m monthly surplus in March and one of about $40m in April please the financial authorities, there is also serious concern. Such results indicate that forecast economic growth of 3 per cent for 1985 is nowhere near being achieved and that the recession in industry and commerce bred by 1984's rigid austerity is wearing off more slowly than had been hoped.

● With the authorisation of banking licences for the Societe General de Banque of Belgium and two new Portuguese commercial banks, the Portuguese authorities have allowed 10 new banks into the scene in less than a year.

American Express president resigns

Continued from Page 1

opportunities in the property/casualty industry."

In the wake of the announcement, shares in American Express rose by $1 to $50. The group recently agreed to sell its only other loss making subsidiary, its Warner/Amex cable television joint venture with Warner Communications.

In announcing Mr Weill's resignation, effective from August 1, Mr Robinson praised him as an "outstanding business builder."

Akzo to sell U.S. unit

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch fibres and chemicals concern, plans to sell its American Enka subsidiary to the West German chemicals concern BASF.

It is understood that the sale of the U.S. fibre and textile subsidiary is pending approval from the U.S. Justice Department, which is expected to give the go-ahead within three months. American Enka has struggled in a stagnant and increasingly competitive market in the U.S., with profits plunging 29 per cent to Fl 40m ($11.4m) in 1984 from the previous year.

Despite heavy restructuring in recent years, American Enka still suffers from overcapacity and its 2.7 per cent profit margin remains sharply below that of competitors such as Du Pont with around 15 per cent. The company has sought to create a higher-quality image for textile fibres, which have been viewed in the U.S. as down-market materials.

The surprising disclosure follows closely on the heels of Akzo's failure to beat BASF last month for the acquisition of Inmont Corporation, a coating unit of United Technologies of the U.S.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	22	72	Malaga	–	–	–	Salzburg	S	17	63
Algarve	S	25	77	Faro	S	24	75	Malta	S	29	84	Seoul	S	28	82
Algiers	S	27	81	Florence	S	26	79	Manila	S	33	91	Singapore	–	–	–
Amsterdam	S	17	63	Frankfurt	C	15	59	Miami	C	30	86	Stockholm	S	26	79
Athens	S	27	81	Funchal	C	20	68	Milan	S	25	77	Strasbourg	F	20	68
Bahrain	S	35	95	Geneva	F	19	66	Moscow	F	24	75	Sydney	C	15	59
Bangkok	R	31	88	Gibraltar	F	22	72	Munich	F	16	61	Taipei	–	–	–
Barcelona	–	–	–	Guernsey	R	12	54	Nairobi	C	23	73	Tangier	S	29	84
Beirut	–	–	–	Helsinki	S	24	75	Naples	S	25	77	Tehran	–	–	–
Belgrade	S	23	73	H. Kong	R	26	79	New Delhi	S	37	99	Tel Aviv	S	27	81
Berlin	F	19	66	Innsbruck	F	20	68	New York	S	29	84	Tenerife	–	–	–
Biarritz	S	21	70	Inverness	R	15	59	Nice	S	22	72	Tokyo	R	21	70
Blackpool	F	15	59	Istanbul	S	23	73	Oporto	S	27	81	Toronto	–	–	–
Bordeaux	S	21	70	Jersey	R	13	55	Oslo	F	20	68	Tunis	S	30	86
Brussels	F	18	64	Jo'burg	C	15	59	Paris	C	17	63	Valencia	–	–	–
Budapest	F	21	70	Las Palmas	S	25	77	Prague	T	17	63	Venice	S	22	72
B. Aires	S	23	73	Lima	C	18	64	Reykjavik	F	11	52	Vienna	S	20	68
Cairo	S	34	93	Lisbon	S	27	81	Rio de J'o	S	28	82	Warsaw	C	18	64
Cape Town	F	16	61	Locarno	S	25	77	Rome	S	24	75	Zurich	F	17	63
Caracas	C	28	82	London	C	18	61								
Casablanca	S	23	73	Los Angeles	S	24	75								
Copenhagen	R	14	57	Luxembourg	F	15	59								
Corfu	S	27	81	Madrid	S	32	90								
Dublin	C	16	61	Majorca	–	–	–								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

IBM to take MCI stake

Continued from Page 1

For IBM, it appears to confirm the computer group's determination to go "head-to-head" with AT & T in the U.S. telecommunication business.

SBS has had a chequered history. The group, which began operations in 1981, was set up mainly to provide data transmission services for big businesses. However, IBM and SBS partners are generally viewed as having misjudged the market for such services. As a result, SBS ws forced to attempt to bolster revenues by providing a cut-price, long-distance telephone service to individual customers, in competition with MCI, GTE's Sprint unit, ITT and others.

Although SBS revenues doubled last year to $290m the group has been struggling to make a profit-something SBS has yet to achieve. Last year, Comsat pulled out of the joint venture because of its belief that the group would need further substantial capital investment – a move which further consolidated IBM's comination of the partnership.

But despite SBS's mixed success, the unit is a useful addition to MCI, which built its reputation as a cut price charrier leading the attack against the AT & T monopoly. However, MCI's meteric growth has been slowing in recent years

Reagan's Lebanon options

Continued from Page 1

$285.9m, down from $484.3m in 1983.

In return, the U.S. imported only $7.8m worth of goods from Lebanon in 1984, down from $17.6m in 1983, although U.S. imports rose to $8.1m in the first four months of this year.

Mr Reagan was yesterday also expected to approve a series of measures to increase airline security, including expanded use of sky marshals on American aircraft.

Meanwhile there were further indications of mounting pressure from Middle East radicals on Mr Nabi Berri, leader of Amal, the Shiah Moslem organisation that is holding most of the American hostages.

Hojatoeslam Ali Akbar Hashemi Rafsanjani, speaker of the Iranian parliament and Ayatollah Khomeini's personal representative on the supreme defence council, has held talks in Syria and Libya this week. In Damascus he had a long session with Sheikh Mohammed Hussein Fadlallah, the spiritual leader of the Hezbollah (the party of God) which is supported by Iran.

The Hezbollah is believed to have supplied the original hijackers of the TWA jet and may be holding those passengers from the plane who have Jewish-sounding names.

In a joint communiqué from Tripoli, Iran and Libya sharply attacked the policies of Mr Berri, accusing him of participating in a Zionist conspiracy to liquidate the Palestinian presence in Beirut.

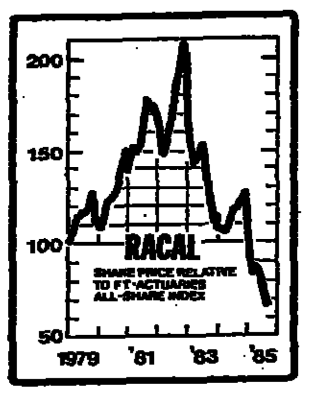
They absolved Lebanon's Shias of responsibility for the recent attacks on the Palestinian refugee camps in Beirut carried out by Mr Berri's Amal militia and called on them "to frustrate sedition and put an end to its authors."

Iran has never before called so specifically for the removal of Mr Berri and if Tehran's views are shared by the Hezbollah leadership in Lebanon, the task of securing the negotiated release of the American hostages might be further complicated.

THE LEX COLUMN

Switching out of switching

So far as the City of London is concerned, all news about electronics these days is bad news. The deteriorating relationship between investors and the electronics companies has created a state of mind in which the stock market's automatic response to any electrical stimulus is to cut the share prices. Though yesterday's simultaneous jolts from Racal and Mr Norman Tebbit, the UK Industry Minister, were in no real sense connected – indeed, the referral of BT's bid for Mitel might in other times have been interpreted as good for telecoms suppliers – the doule combination had a convulsive effect across the board: the sector dropped about 4 per cent its value on the day.



As one the highest fliers during the City's former infatuation with electronics, Racal must bear much of the blame for souring the atmosphere this year. Although its results for the year to March just about pass muster – and Racal's pre-tax profits of £132.3m should keep it out of trouble with former shareholders in Chubb – the warning of a fal in prifits during the first half of this year was more than the market was pepared to stand. Yesterday morning the shares were already 100p below their peak for the year, after repeated disappointments; closing a fifth lower at 156p, they may find it hard to regain favour until the ink is dry on next year's audited figures.

Not that everything is wrong with Racal: higher interest costs and operating expenses associated with development of the cellular radio network are a palpably justifiable investment in profits that should start to come through before the year is out, and there are good things coming out of tactical radio, Decca, and even Chubb. Yet the group's largest source of revenue – data communications – is proving a managerial albatross in the short term, and it is widely recognised that Racal's main product in that area, the modem, has a commercial life that will be ended by the spread of digital telephone switching.

If Racal's share price has perhaps been dealt with over-harshly, it is tempting to say the same of other companies in the sector. Yet there is scarcely one of them which does not parallel Racal's difficulties in managing U.S. diversifications, while all the other majors are more exposed to tougher procurement attitudes struck by BT or the Ministry of Defence. With the sector now rated at a discount to the industrials, and looking less financially robust than for some years, the attractions of a rationalisation have been much canvassed. But desperate hopes that the Government might encourage at least the consolidation of product portfolios have been thrown into doubt by the monopolies reference for BT, and without some catalyst on the line of a Plessey/GEC pooling in telecoms, the sector may continue to drift.

Schroders/IBJ

Schroders' proposed partnership with the Industrial Bank of Japan in New York seems almost too good to be true. In one go, Schroders has disposed of a large stake in a subsidiary which was earning a meagre 8 per cent return on its capital, leaving it with a small enough share to enable it to qualify for investment banking status: and IBJ has won a New York base to allow it to continue diversifying away from its threatened domestic business.

Once the two stages of the deal have gone through, and IBJ owns 75.1 per cent of the U.S. commercial banking business, Schroders will have been paid $107.6m, a 15 per cent premium over net asset value. On disclosed reserves, this would immediately double the group's free capital ratio from 6 to 12 per cent, giving Schroders tremendous financial flexibility. Even if the money were put on deposit, it could earn more than it did before. But once its stake is less than 25 per cent, the Fed should allow Schroders to expand into niche investment banking in the U.S. – a strategy which, if it worked, would tie in neatly with the bank's moves in the UK and the Far East.

IBJ, meanwhile, like the other Japanese long-term credit banks, is threatened by deregulation. With controls being lifted on deposit rates, its funding costs will rise; and on the other side of the balance sheet, demand for long-term bank borrowing is falling. Having already moved into the Euromarkets, the next logical step is expansion in the U.S. – and in terms of assets, IBJ has not paid an exorbitant price. But Schroders need not feel too hard done by. The deal should bring a Far Eastern client base which can be serviced not just in America, but probably in Europe, too.

Mercury/Hambro

It was unfortunate for Hambros that it was reporting on the same day as Mercury Securities, for the contrast could not have been more evident. While Warburg and its associates showed a 37 per cent increase in reported net profits from merchant banking, Hambros' banking operation saw a 4 per cent decline.

Hambros has been saying for some time that it wants to shift its banking operation towards fee and commission business; and the splendid returns Mercury is reporting from Warburg's corporate finance and investment management were an additional if unwelcome reminder. If Hambros did turn in the largest retained profit in the history of UK merchant banking, this was chiefly the mess of pottage for the sale of its Hambro Life birthright and the shares are unlikely to attract much interest until this is transformed into acquisitions.

Mercury had no difficulty swimming through yesterday's rough market, and the share price added 25p. Connoisseurs of MIG, the future financial conglomerate based around Mercury, immediately did their sums; and even after the larger-than-expected slug of preference shares now already available to Mercury shareholders, yesterday's premium seemed to some too great against the other quoted entry vehicle, Akroyds, which put on 10p to 285p as investors switched. The switching occurred despite a rather disappointing show by Akroyds in yesterday's pro-forma MIG figures, while Rowe & Pitman/Mullens were held back by launch costs on the international business. None the less, Mercury still yields a generous 5½ per cent – only a point less than Hambros.

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FINANCIAL TIMES
Wednesday June 26 1985

Fermenta fails to agree KabiVitrum merger deal

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the fast-growing Swedish manufacturer of pharmaceutical intermediates and fine chemicals, has broken off negotiations for the takeover of KabiVitrum, the Swedish state pharmaceuticals company.

The breakdown of the deal is the first significant setback for Fermenta, which has expanded rapidly in the last three years through a series of acquisitions in Western Europe and the U.S.

Fermenta and Procordia, the Swedish state holding company, said yesterday that they were unable to agree a price for KabiVitrum.

It is understood that Procordia was unwilling to provide the profit guarantees demanded by Fermenta following the withdrawal earlier this year of KabiVitrum's most profitable product, Crescormon, a growth hormone.

Fermenta has purchased a 9.5 per cent stake, however, in Amgene, the U.S. genetic engineering company, in a deal worth some SKr 86.25m ($9.76m). It has also signed a letter of intent to buy a further fermentation and fine chemicals plant in Italy.

Negotiations for the takeover of KabiVitrum have been underway for more than four months. A framework for the deal was announced in April under which Fermenta was to have issued new shares to Procordia, providing the Swedish state with a significant minority stake.

The deal began to turn sour, however, when KabiVitrum had to withdraw Crescormon from the international market. It was suggested that a similar U.S.-produced drug could cause a fatal brain disease.

KabiVitrum said the withdrawal of the drug, which provided most of its profits in 1984, could cut 1985 earnings by around a third or at least SKr 50m, with a loss of up to SKr 200m sales revenue.

Fermenta and KabiVitrum are to seek other forms of business co-operation, however, and it is still possible that merger talks could be resumed later, when the prospects are clearer for KabiVitrum's new generation biosynthetic growth hormone, which is due to be launched during the next one or two years. The managing directors of both Fermenta and Procordia denied reports that the deal had foundered on demands from the Swedish state for a "dominant influence" in the ownership of a merged Fermenta/KabiVitrum. Procordia is now to inject SKr 100m in new equity capital into KabiVitrum.

Fermenta said it had purchased 1.06m shares in the Los Angeles based Amgene genetic engineering research company, giving it a holding of 9.5 per cent.

It has bought the stake from the Swedish Beijer group, and has financed the purchase with the issue of 250,000 new shares at SKr 345 per share, putting a market value on the deal of SKr 86.25m.

The Beijer investment group now holds some 650,000 shares in Fermenta, or around 8.2 per cent of the equity.

Fermenta is seeking access to Amgene's recombinant DNA research work in the areas of peptide hormones, vaccines and fine chemicals and is eager to link the two companies' biotechnology activities.

Belgian court ends Smurfs tug of war

By Ivo Dawnay in Brussels

THE SMURFS, the blue-skinned heroes of countless marketing campaigns, have been liberated by the Brussels Commercial Court.

For more than six months, they and other comic-book characters owned by Dupuis, the Belgian publisher, have been the subject of a vicious tug of war by rival consortia.

Last autumn, Groupe Bruxelles Lambert, Belgium's second biggest industrial and financial holdings group, and Hachette, the French publisher, looked set to take over more than 80 per cent of Dupuis' shares in a BFr 1.35bn ($22.6m) "friendly" deal.

But when, in an apparent last-minute change of heart, Dupuis proposed accepting a BFr 100m higher offer from rival French publisher, Editions Mondiales, GBL and Hachette turned to the court. They argued that their offer had been formally accepted and could not be set aside.

The Commerce Tribunal ruled that the shares in Dupuis be frozen until the dispute was resolved. In an interim judgment in January, it looked as if the GBL-Hachette objections would be supported by the court.

However, this week that position was reversed in a ruling freeing Dupuis' hands and unfreezing the shares. But the Dupuis affair, as it has been dubbed in copious news coverage, looks as unending as the cartoon exploits on which it centres.

Shortly after the court ruling, GBL warned that it would probably appeal.

FINANCIAL SERVICES DIVISION PRESIDENT REPLACED

American Express changes track

BY PAUL TAYLOR IN NEW YORK

Departing president Sandy Weill (left) with chairman James Robinson

WALL STREET woke up yesterday to witness the American Express corporate executive revolving doors spinning once more. Mr Sandy Weill, the dynamic president of the financial services group, had announced his resignation, and Mr Lou Gerstner, the man who has rebuilt American Express' core business – its travel-related services unit – had been named to succeed him.

The changes were announced by Mr James D. Robinson, American Express' soft-spoken Atlanta-born chairman and chief executive, and appear to further consolidate his power at the head of the $13bn-a-year financial services conglomerate.

Wall Street has become accustomed to management change and surprises from American Express, whose "blue box" corporate symbol and advertising slogan "American Express will do nicely, thank-you" has become renowned the world over – mainly through the travel and entertainment card and travellers cheque operations.

Since Mr Robinson took over in 1977, American Express has had three presidents, not counting Mr Gerstner who will take over the number two job on August 1.

But yesterday's announcement also marked a watershed of another kind. Over the past few years Mr Robinson and American Express have dazzled Wall Street with a string of major acquisitions beginning in 1981 with the $930m acquisition of Mr Weill's Shearson Loeb Rhoades Wall Street investment group. Since then the group has added Safra's TDB, Investors Diversified Services (IDS) and most recently Lehman Brothers, the blue-chip Wall Street investment bank.

But this massive acquisition binge may indeed have come to an end. A few weeks ago American Express agreed to sell its loss-making Warner/Amex cable television joint venture with Warner Communications, and now the group has announced a major restructuring of its troubled Fireman's Fund subsidiary involving the spinning-off of the insurance company's property and casualty operations.

That Mr Weill's departure should coincide with the Fireman's Fund restructuring is probably not mere coincidence. Mr Robinson dispatched Mr Weill and Mr William J. McCormick to "put out the flames" at Fireman's Fund when the West Coast insurer ran into serious problems in late 1983 – leading its corporate parent to report its first full-year earnings decline for 36 years.

Since then Mr Weill, as chairman of the insurance group, has been attempting to restructure Fireman's Fund's operations and set it back on the rails.

Those efforts, including cost reductions and a refocusing of the insurer's business strategy, have begun to pay small dividends

In the first quarter this year *American Express' insurance operations* posted net income of $9.3m compared with a $10m profit in the 1984 first quarter which followed the disastrous 1983 fourth quarter when American Express was forced to bolster the unit's reserves by $230m. But the earning recovery at Fireman's Fund has been lopsided. Property-liability operations continue to be hit by losses.

In the latest quarter the property-liability operations posted a $4.1m loss compared with a profit of $5.5m a year earlier.

In contrast Fireman's Fund's life insurance operations have rebounded strongly accounting for $12m in net income in the first quarter, an increase of 159 per cent over the year-ago period.

It now seems American Express and Mr Robinson have finally bitten the bullet. By holding on to the profitable life insurance business but spinning off the risky property-casualty operations through a planned public offering, the group will have rid itself of its only two loss-making business operations (the second being Warner-Amex).

Now the company, which reported an 18 per cent increase in net earnings last year to $601m fuelled by sparkling performances by the travel-related services and international banking operations, will have fewer excuses for not matching up to Wall Street's high expectations of one of the nation's premier diversified financial services groups.

Renault and GM discuss collaboration

By Paul Betts in Paris

RENAULT, the financially troubled French state car group, said yesterday it was in advanced negotiations with General Motors of the U.S. over collaboration at Renault's recently completed engine manufacturing plant in northern Mexico.

The French group has been seeking ways to reduce losses from the plant which has absorbed investments of about $400m over three years.

The plant, at Gomez Palacio, near the U.S. border, was originally designed to supply engines to American Motors (AMC), the U.S. car group 46 per cent held by Renault.

The original target was for the new plant to produce 1,000 engines a day by the end of this year. But the slump in AMC sales has forced Renault to lower the production figure to around 450 a day.

Renault was at one stage envisaging the outright closure of the plant as part of its overall restructuring.

However, a solution could not emerge involving the sale of engines from the plant to General Motors enabling production to be raised to the original target.

Axel Springer plans 49% equity sale

BY PETER BRUCE IN BONN

WEST GERMANY'S biggest newspaper publisher, the privately-owned Axel Springer group, is to begin selling off 49 per cent of its stock from this Friday, which could raise it up to DM 558m ($181m) and which, it is hoped, will ensure the group remains intact after the death of the founder, Herr Axel Springer.

The shares, so-called named stock, are being sold at DM 335 each only to approved buyers who will not be able to sell them without Springer's permission. The placement is being handled by the Deutsche Bank.

Daimler Benz, the car producer, and Robert Bosch, the electrical components group, both based in Stuttgart, have been mentioned as possible major buyers. The country's main automobile club, ADAC, is also understood to be interested in buying up to 12.5 per cent of Springer.

The group will still be effectively controlled by the existing main shareholders, the Springer family, with 26.1 per cent and another publisher, Burda, which will retain the 24.9 per cent it bought in 1983.

Herr Springer's concern has been to prevent the collapse of his empire after his death. He has attempted to merge the group with other publishers, but these efforts have been frustrated by the Cartel authorities.

Bankers were confident yesterday the shares would be taken up and given the selling conditions imposed on them, plus the fact that buyers will not be able to take up large lots, any effort to co-ordinate action against the wishes of the controlling shareholders would be extremely difficult. West German buyers will be given preference in the sale.

Springer is also likely to use the money raised to finance new investments in commercial television and satellite broadcasting which is slowly taking off in West Germany.

Herr Springer founded the group in 1946. It publishes the country's biggest selling newspaper, Bild Zeitung (circulation 5.5m) and the conservative Die Welt. Total turnover in 1983 reached DM 2.4bn.

Holzmann warns of declining turnover

BY JONATHAN CARR IN FRANKFURT

PHILIPP HOLZMANN, the West German building concern, expects group construction turnover to drop below DM 7bn ($2.28bn) this year from DM 8.1bn in 1984 – a fall which would be even sharper but for buoyant business in the U.S.

Earnings will again be under pressure too, after a 1984 result which saw net profit in the parent company fall to DM 40.3m from DM 49.6m in 1983. An unchanged dividend of DM 10 is being proposed for 1984, however, and DM 22.5m is being added to reserves.

The results for the first five months of this year graphically underline the dilemma in which Holzmann – like other leading German construction companies – finds itself at present.

Holzmann's total construction turnover from January to May was down against the same period of 1984 by 22.4 per cent to DM 2.6bn.

The Bonn cabinet is expected to announce steps next week to help the deeply depressed building sector, but these are unlikely to work through to affect companies' balance sheets before 1986.

Foreign business, excluding the U.S., is down sharply too – in Holzmann's case by 52 per cent in the first five months. Only in the U.S. is construction activity buoyant,

Go-ahead for Terex plan

By Mark Meredith in Edinburgh

A CREDITORS meeting in Hudson, Ohio, has approved a restructuring plan for Terex, the earthmoving company. Terex filed for protection from its creditor in the U.S. at the time its parent company, IBH Holdings of West Germany, collapsed in November 1983.

Last year, First Boston Bank organised proposals to reorganise the company and reunite the Terex plant in Ohio with Terex in Scotland.

INTERNATIONAL BONDS

Focus on bulldog bond market

BY ALEXANDER NICOLL IN LONDON

THE market for bulldog bonds, issued by foreign borrowers in the sterling domestic market, stole the limelight yesterday from a lacklustre dollar sector, with a £100m issue by Crédit Foncier de France.

Crédit Foncier is a private-sector concern financing housing, but carries a French state guarantee. Its issue, led by Baring Brothers, is the largest ever placing in the bulldog market and carries the lowest margin yet seen over UK government bond yields.

There are no innoations in its structure, which includes an initial £25m part payment and serial maturities over four years from 2011, giving it an average life of 27½ years.

The terms, to be fixed today including a price of about 90, will give a yield of 75 basis points above that on the 13½ per cent gilt due 2004/08. This compares with a margin of 1.35 per cent above the same gilt for the last comparable issue by a French borrower, Electricité de France in May last year. In the secondary market, comparable issues are trading with margins of 80 basis points or a little more.

The narrowing of the margin since last year reflects the growing liquidity of the market, helped by increased demand from the UK institutions which are the main targets of such paper. But the pricing was still seen as aggressive. Nevertheless, it is meeting a moderately enthusiastic welcome in the market.

The dollar bond market was weighed down by recent new issue volume and U.S. economic uncertainties, which have made investors increasingly selective. Neither of the two new dollar issues yesterday, met a very favourable response.

Nippon Telegraph and Telephone, which moved this year from public to private company status, is making its first forays into the market without a government guarantee. Yesterday a $100m straight Eurobond was launched ,and on Friday it is expected to make SwFr 150m issue.

The dollar issue was aggressively priced, with a seven-year non-callable life, a 10 per cent coupon and a 99¾ per cent price and total fees of 1⅞. It was quoted close to them last night. The issue is led by Morgan Guaranty with Nomura International and Dai-Ichi Kangyo International.

NTT is still 100 per cent owned by the Japanese Government, though it plans to sell off up to two-thirds of the company over the next five years. It is to lose its monopoly as a result of recent legislation, but Mr Masahi Kojima, NTT executive vice-president, said in London this week that, while he could not say the advent of competition would cause no damage whatever, NTT would still be strongly placed.

Mr Kojima said NTT preferred to do without a government guarantee because "when you receive privileges from the Government, you also get certain restrictions."

The latest issue counts outside the quotas imposed on Japanese institutional buyers of Eurobonds, because it is being issued directly from Tokyo.

National Australia Bank issued a $100m 12-year floating-rate note at ⅛ over six-month London interbank bid rate (Libid), with a maximum coupon of 13 per cent, led by Salomon Brothers International. But there were growing signs that the market for this type of paper is now over-loadeded.

The World Bank, which is expected to launch a FFr 1bn bond soon, its first borrowing in that currency, launched a DM 200m private placement for five years, with a 7 per cent coupon and 100% issue price, led by Commerzbank. The DM market was unchanged amid a lack of investor interest, but two issues launched on Monday, one for BHF-Bank and the other for Continental Gummiwerke, were doing well.

International bond service, Page 18

Heavy demand for Montedison convertible

By Alan Friedman in Milan

MONTEDISON, the Italian chemical group, launched a L25bn ($12.7m) seven-year issue of convertible bonds on the Milan bourse yesterday, which was sold out within hours. The bond issue, lead-managed by Mediobanca, is designed to attract small investors for the Italian group. Proceeds of the issue are to be used to help restructure Montedison's debt.

The L25bn fixed-term issue, which pays 10 per cent interest, is convertible into shares of Selm, the Montedison energy subsidiary, and also into shares of M.E.T.A., the Montedison subsidiary which holds a stake in the Rizzoli publishing group. The bonds were available only in L5m segments, ensuring that small investors would participate.

The successful issue is part of a larger L100bn total issue of convertible Montedison bonds. The remaining L75bn worth is being sold to Italian and foreign institutional investors; of this L75bn some L30m is being placed privately in the Euromarket by Goldman Sachs.

The underwriting banks which joined in the Mediobanca-led L25bn issue are Banco Commerciale Italiana, Credito Italiano, Banca di Roma, Banca Nazionale del Lavoro, Banca Populare di Milano and SIFI, the financial arm of Montedison.

INTL. COMPANIES and FINANCE

General Instrument stays in the red

By Paul Taylor in New York

GENERAL Instrument, the U.S. electronic components, semiconductor devices and cable television equipment group, reported its second consecutive quarterly loss blaming depressed market conditions for most of its products, especially semiconductors.

The New York-based group posted a net loss of $3.3m, or 10 cents a share, in its fiscal first quarter ending June 2 compared with net earnings of $9.25m, or 30 cents a share, in the year-ago period.

The latest quarterly loss, which follows a $34.9m fiscal fourth-quarter loss partly reflecting a $18m write-off of the company's investment in United Satellite Communications, the direct broadcast satellite (DBS) television group, came on revenues which fell by 8 per cent to $218.7m from $238.7m a year earlier. The company also noted that its order backlog fell to $527.4m from $635.1m a year ago.

Commenting on the results Mr Frank Hickey, chairman and chief executive, said they were "disappointing" but "not unexpected."

"Depressed industry-wide market conditions continue to adversely affect our principal business segments, cable TV and semiconductor products, which represent over 60 per cent of our traditional revenue," he said.

"The worldwide slump in the semiconductor industry is the largest negative factor inhibiting our return to profitable operations. All three of our semiconductor divisions, microelectronics, discreet semiconductor and optoelectronics, have suffered from weak order input which followed the industry pattern starting in the last half of fiscal 1985. We are uncertain as to when a significant upturn in orders will occur. Many industry observers believe it will not happen until late in our fiscal year."

Mr Hickey added: "Cable TV electronics operations were at a depressed level in the first quarter. Recently, however, order input has increased. It is not yet clear if this is the beginning of a trend."

UK market listing for Telefonica

By Stefan Wagstyl in London

TELEFONICA, the Spanish telephone monopoly, is joining the London stock market this week by way of an introduction by merchant bank Morgan Grenfell and stockbrokers Savory Milln and Cazenove.

Dealings in the company's shares are due to start tomorrow. Some 15m Telefonica shares, worth about £31.5m ($40m), are to be placed with UK institutions, on behalf of Spanish institutional investors.

The London Stock Exchange listing and the placing are part of a broad campaign by Telefonica, which is 47 per cent-owned by the Spanish Government, to attract foreign investors.

Listings are also being sought on the Frankfurt, Paris, and Tokyo stock exchanges, and there are plans for a possible listing in New York.

Telefonica, which has a stock market capitalisation of Pta 410.9bn ($2.35bn) is the largest company in Spain. Pre-tax profits last year were Pta 57.4bn, on turnover of Pta 365.5bn. In 1985, turnover is expected to increase by 14 per cent and pre-tax profits by 18 per cent.

As well as its monopoly over the telephone service, Telefonica operates Spain's only public data transmission network.

Danish bid for oil licence

BY HILARY BARNES IN COPENHAGEN

A DANISH industrial consortium, in which a state company will hold half the shares, is to seek operator status when the second round of oil and gas exploration licences for the country's onshore and offshore areas is awarded.

Invitations to apply for licences will be made in July, according to the Energy Ministry. The new round covers an area of about 100,000 sq km.

The consortium will consist of Dopas, a subsidiary of the state oil and gas distribution company, Dansk Olie og Naturgas.

The private-sector participants include the East Asiatic Company with 25 per cent and Grepco, a consortium of J. Lauritzen, Monberg & Thorsen, Højgaard & Schultz, Christiani & Nielsen and Kampsax, also with 25 per cent. The remaining half share in the private partnership will be offered to institutional investors and interested industrial companies.

There was no Danish operator when the first-round licences were awarded last year, but the opposition Social Democratic Party has pressed for Dopas to be main operator in the new round.

The areas now being licensed were given up by A. P. Møller, the shipping and industrial group.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 25.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amex Credit 10⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	10.52
Amex Credit 12⅞ 89	150	[illegible]	[illegible]	[illegible]	[illegible]	10.34
Bank of Tokyo 13⅛ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	10.75
BP Capital 10⅞ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	10.81
BP Capital 11⅝ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	10.87
Canada Nat Tele 13⅝ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	10.75
Canada 11½ 90	500	[illegible]	[illegible]	[illegible]	[illegible]	10.89
Canadian Pac 12⅛ 90	75	[illegible]	[illegible]	[illegible]	[illegible]	11.41
CBS Inc 11⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	11.07
Chevron U.S.A. 12⅞ 86	100	[illegible]	[illegible]	[illegible]	[illegible]	10.95
Citicorp 11⅞ 95	150	[illegible]	[illegible]	[illegible]	[illegible]	11.47
Coca Cola 11⅞ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	10.90
Denmark Kingdom 11¾ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	10.85
Denmark Kingdom 11⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	10.90
Denmark Kingdom 11¾ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	11.04
Denmark Kingdom 13¼ 91	100	110⅛	110⅝	−0⅛	−1⅞	10.85
Denmark Kingdom 14 91	100	108⅝	109⅛	−0¼	−1¾	11.86
E.E.C. 11½ 90	100	102⅛	102⅝	−0⅛	−1¾	10.41
E.I.B. 12 95	200	105	105½	−1¼	−3⅛	10.92
E.I.B. 13 96	200	108¾	109¼	0	−2½	11.51
Export Dev Corp 12 89	100	105⅛	105⅝	−0¼	−1¾	10.38
Ford Motor Cred 11⅞ 90	100	101¾	102¼	−0⅛	−0⅞	10.77
Ford Motor Cred 11⅝ 95	100	101¼	101¾	+0⅛	−1⅜	11.34
Ford Motor Cred 11¾ 92	100	102⅛	102⅝	−1¼	−2⅛	11.22
Ford Motor Cred 12 95	100	104⅞	105⅜	0	0	11.08
Gen Elec Credit 10¼ 00	200	99⅜	99⅞	−0¼	−1⅝	10.25
GMAC 10¼ 89	200	99½	100	−0⅛	−1⅜	10.32
IBM Credit 10⅜ 2000	300	99¾	100¼	−0⅝	−1⅞	10.36
Indust Bk Japan 12⅞ 89	100	107¾	108¼	+0⅛	−1¼	10.42
Japan Air Lines 13⅜ 94	100	117	117½	+0⅛	−1⅜	10.35
Kellogg Company 10⅞ 90	100	100⅞	101⅜	−0¼	−2¼	10.51
Kellogg Company 11¼ 92	100	102¼	102¾	−0⅛	−2	10.67
L.T.C.B. 12⅞ 91	100	109½	110	−0¼	−2¼	10.86
Macy Cred Corp 11¾ 95	100	103½	104	0	−2¾	11.07
Mellon Bank 13 87	100	105½	106	−0⅛	−0¾	9.89
Merrill Lynch 12¾ 89	100	104¾	105¼	0	−1⅛	11.17
Minnesota 11½ 87	100	102⅞	103⅜	−0⅛	−0⅝	9.86
Mitsui Trust 11⅝ 90	100	102½	103	−0⅛	−1⅝	10.86
Morgan Guaranty 12⅜ 89	150	105½	106	−0¼	−1⅞	10.89
Nippon Cred Bk 13⅞ 89	100	109⅞	110⅜	−0⅛	−1¼	10.85
Nth America 12⅞ 91	100	† 104½	105	−0⅝	−2	11.73
Penney J.C. 12¾ 91	100	107⅞	108⅜	−0⅛	−1½	10.87
Pru Realty secs 12⅛ 95	546	106	106½	−0¼	−2⅝	11.01
Quebec Hydro 11½ 92	100	104½	105	−0¼	−1¾	10.52
Ralston Purina 11¾ 95	150	104⅛	104⅝	−0¼	−2	10.90
Ralston Purina 12⅞ 89	100	107⅜	107⅞	0	−1¼	10.42
Royal Bk Can 12¾ 92 XW	100	101½	102½	−0¾	−0⅝	12.25
Saskatchewan 10 3/4 92	100	100⅛	100⅝	−0½	−2	10.64
Saskatchewan 11 7/8 89	100	104⅞	105⅜	−0⅛	−1¼	10.32
Statoil 13½ 89	100	109⅞	110⅜	−0⅛	−1⅜	10.32
S Wales Tray 11¾ 90	150	103½	104	−0⅜	−2⅛	10.70
Swed Exp Cred 10 92	100	96¼	96¾	−0½	−0½	10.73
Swed Exp Cred 12¾ 89XW	100	106⅜	106⅞	−0⅝	−1⅛	10.89
Sweden Kingdom 10⅞ 90	200	100½	101	−0⅛	−2⅝	10.65
Sweden Kingdom 11½ 89	200	103⅜	103⅞	0	−1¾	10.40
Sweden Kingdom 11¾ 94	100	104⅞	105⅜	0	−2¼	10.83
Texaco Capital 12⅞ 87	300	104⅞	105⅜	−0¼	−1⅛	10.09
Tokai Asia 11½ 95	100	102	102½	+0⅛	−2⅛	11.11
Victorian Rep 11⅝ 92	150	103½	104	+0⅛	−2¼	10.81
World Bank 12¼ 94	150	108⅛	108⅝	0	−2⅜	10.76
World Bank 12⅞ 94	200	110⅞	111⅜	−0⅛	−2¾	10.88

Average price change On day −0¼ on week −1¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 8 94	200	103⅛	103⅞	−0⅛	+0¼	7.45
Austria Republic 7⅝ 94	200	102¾	103½	0	+0⅜	7.12
Baxter Travenol 7¼ 94	200	101⅜	102⅛	−0⅛	−0⅛	6.97
Credit National 8⅛ 94	200	104⅜	105⅛	−0⅛	+0¼	7.35
Degussa Int Fin 7½ 94	100	103⅞	104⅝	0	+0¼	6.82
E.E.C. 8 92	200	103¾	104½	0	+0¼	7.18
E.I.B. 7¼ 94	300	† 99⅞	100⅜	−0¼	0	7.22
Escom 8 92	150	100	100¾	0	+0½	7.92
Ferrovie Dello Stato 8 91	100	103⅜	104⅛	−0⅛	−0¼	7.17
Finland Republic 7 92	200	99	99¾	0	+0⅛	7.11
Gould Int Fin 7⅝ 91	100	103	103¾	0	−0⅛	6.90
Ireland 8⅛ 92	150	102½	103¼	+0¼	+0⅛	7.57
Japan Fin Corp 7⅝ 91	100	† 102¾	103¾	+0⅛	+0⅜	6.94
Mitsubishi Hvy 3½ 89WW	300	122¼	123	−0⅛	+5⅝	−2.20
Mitsubishi Hvy 3½ 89XW	300	90	90¾	0	+0¼	6.45
Mitsubishi Met 3⅛ 89WW	100	100¾	101¾	+0½	+1¾	2.82
Mitsubishi Met 3⅛ 89XW	100	86⅝	87⅜	−0⅛	+0⅛	6.56
Pepsico O/S Fin 7¼ 94	250	103¼	104	−0¼	+0⅝	6.66
Renfe 7¾ 95	100	† 100¼	100¾	0	−0⅛	7.87
Renown 3⅛ 90	80	104½	105¼	+0⅛	−0⅜	2.09
Reynolds O/S Fin 7¾ 94	125	102⅞	103⅝	+0⅛	+0¼	6.90
Societe Cent Nucleer 8 91	100	104	104¾	+0⅛	+0¼	7.08
Sth African Tran 7⅝ 92	100	96¼	97	+0⅜	−0⅛	8.26
World Bank 7¾ 89	100	102	102¾	−0⅛	−0⅛	6.97
World Bank 8 94	200	105	105¾	0	0	7.14

Average price change On day 0 on week +0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev Bk 6¼ 94	100	† 101¼	101½	0	−0⅝	6.05
Avon Cap Corp 5⅞ 94	130	† 99¾	100	+1⅛	+1¼	5.39
Brit land Comp 6½ 99	75	† 102½	102¾	−0½	0	6.21
Council of Europe 6 92	120	† 101	101¼	−0½	−0½	5.80
Creditanstalt 5½ 94	100	† 97¾	98	−0¼	−0½	5.79
Deutsche Bk Fin 5⅜ 95	100	† 100¾	101	0	+0¼	5.25
E.I.B. 5⅞ 94	120	† 101¼	101½	−0¾	−0½	5.68
Export Dev Corp 5⅝ 92	125	† 100¼	100½	0	+0¼	5.31
Gen Occidentale 4½ 94	80	† 102¼	102½	−0½	−0¼	4.19
I C Industries 5⅝ 94	125	† 99½	99¾	−0½	−0¼	5.67
Ind Fund Fin 5¾ 94	40	† 100¼	100½	+0½	0	5.69
Int-Am Dev Bk 6⅛ 94	120	† 101½	101¾	+0½	−0⅛	5.89
N.Zealand steel 5¼ 96	70	† 99¼	99½	+0½	+0½	5.32
Oberoi Kitak 5⅜ 95	100	† 98½	98¾	+0¼	−0⅛	5.56
Ralston Purina 5⅜ 94	125	† 99½	99¾	0	+0½	5.42
Santos Finance Ltd 6 94	130	† 98½	98¾	+0¼	+0½	6.19
Tokyo Elec Pwr 5½ 93	120	† 100	100¼	0	+1¾	5.47
Tokyo Metropolis 5¼ 94	80	† 98¾	99	+0½	−1¼	5.40
World Bk 5¾ 94	150	† 100½	100¾	−0¼	−0½	5.66

Average price change On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Austria Republic 7 95	80	99⅜	99⅞	−0⅛	−0¼	7.85
BP Overseas 7 92	17	100¼	100¾	−0⅛	−0⅜	6.90
Fed Natl Mort 6⅞ 92	50	99¾	[illegible]	0	−0⅛	7.86
Finland Republic 8¼ 90	15	99¼	99¾	0	−0¼	8.87
World Bank 6⅝ 90	25	99¼	99¾	−0⅛	−0⅜	6.74

Average price change On day −0⅛ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Australia 13¼ 90 $A	40	103⅛	104⅛	0	0	12.21
Avco Fin 14 90 $A	35	100⅝	101⅝	+0¼	+0¼	13.57
BT Aust. 13⅞ 92 $A	40	103⅞	104⅞	0	0	12.88
Westpac 13½ 88 $A	50	101⅝	102⅝	+0⅛	+0⅛	12.58
Bell Canada 12¾ 97 C$	125	† 100⅝	101⅛	−0⅜	−1⅜	11.46
British Columbia 12 90 C$	125	† 102⅝	103⅛	−0⅛	−1½	11.17
Can Nat Rail 12½ 95 C$	100	† 104⅞	105⅜	−0⅜	−2¼	11.58
Chrysler Cred 12⅝ 92C$	80	† 102½	103	−0¼	−1¼	12.01
Desjardins 12½ 90 C$	50	† 102½	103	−0¼	−0¾	11.72
E.I.B. 12 95 C$	75	† 101¾	102¼	−0¼	−1½	11.64
New Brunswick 11⅝ 95C$	75	† 99⅝	100⅛	−0⅝	−1½	11.82
Nordic Inv Bk 16 90 NS	50	100	101	−0½	−0½	15.80
NZ Forest 15¾ 92 NS	30	96¼	97¼	+0¼	+0¼	16.45
Woolworth 16¼ 91 NS	25	101½	103	0	0	15.60
N.Z Govt. 9¼ 90 ECU	100	99⅞	100⅜	−0⅜	−0⅜	9.18
N.Z Govt. 9½ 92 ECU	100	100	100¾	−0½	−0⅜	9.42
Rabobank 9⅝ 95 ECU	75	103¼	103¾	−0¾	−0½	9.06
Eurofima 7½ 92 FL	50	101	101½	−0⅛	0	7.26
Philips Lamps 7½ 90 FL	100	101½	102	0	−0⅜	7.05
Rank Xerox 8 90 FL	100	102¾	103¼	0	0	7.24
Van Lanschot 7½ 90FL	50	100¾	101¼	−0⅛	−0⅛	7.25
World Bank 7½ 90 FL	150	100¾	101¼	−0⅛	−0⅛	7.34
Gaz de France 11¼ 00FF	500	99⅝	100⅛	−0¼	−0¾	11.26
American Brands 12 95 £	40	103⅝	104⅛	0	0	11.28
Amer Express 11⅝ 92 £	30	103⅛	103⅝	−0⅛	+0⅛	10.93
Australia Comm 11 92 £	40	98½	99	+0⅛	+0⅜	11.25
BP Capital 10¾ 92 £	50	97¾	98¼	−0⅛	0	11.14
E.I.B. 11⅛ 93 £	50	100¼	100¾	−0⅛	+0⅜	11.01
Inco 12¾ 93 £	50	102⅞	103⅜	−0¼	+1	12.06
Mcdonalds 10⅞ 90 £	40	98⅞	99⅜	0	+0⅛	11.10
Norsk Hydro 11⅝ 91 £	50	101¾	102¼	−0⅛	0	11.10
Privatbanken 11⅝ 92 £	20	100⅛	100⅝	0	+0½	11.77
Rank Xerox 11 92 £	40	98¾	99¼	+0⅛	+0⅜	11.20
Royal Trustco 11⅜ 90 £	30	99¾	100¼	0	+0½	11.34
Star Drug Cap 10⅞ 90 £	30	98¼	98¾	+0⅛	+0¼	11.27
Swed Exp Cred 11⅜ 92 £	50	100⅛	100⅝	0	0	11.27
Tathouse Forte 11⅛ 90£	50	97⅞	98⅜	0	+0½	11.63
World Bank 11¼ 95 £	100	101⅛	101⅝	−0⅛	+0⅞	11.01
E.C.S.C. 10½ 94LF	100	104⅝	105⅝	+0⅜	−0¼	9.62
Nat Lux Alum 10½ 92 LF	600	105⅜	106⅜	+2⅜	−0½	9.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
S.B.L. Int 5 89	0⅛	100⅜	100⅝	11/10	9⅝	9.58
Banco di Roma 5¼ 92	0	99¼	99½	24/6	7.90	8.05
BankAmerica O/S 5¼ 96	0⅛	99½	99¾	28/8	8.81	8.85
Bank of Montreal 5 96	0⅛	100⅝	100⅞	28/7	8¾	8.68
Bankers Trust 5 2000	0	99⅜	99⅝	11/6	9.81	9.86
Bankers Trust 5¼ 96	0⅛	100	100¼	13/8	8.56	8.55
B.F.C.E. 5¼ 99	0⅛	100⅜	100⅝	13/9	10.06	10.01
B.N.P. 5⅛ 96 (July)	0¼	100⅛	100⅜	22/7	9⅛	9.10
C.C.F. 5¼ 97	0	99⅜	99⅝	22/8	10⅝	10.66
Chase Man'tn 5¼ 2009	0¼	99¾	100	5/6	9.69	9.70
Citicorp O/S 5¼ 96 Sep	0⅛	99½	99¾	19/12	11.19	11.23
Credit Lyonnais 5¼ 98	0⅛	100½	100¾	11/10	9.60	9.63
Dresdner Fin 5¼ 89	0	99⅞	100⅛	25/5	9⅜	9.38
Ireland 5¼ 97	0	100	100¼	28/10	9.60	9.65
Ireland 5¼ 99	0	100⅛	100⅜	14/9	10	9.98
Italy. Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.86
Lloyds Euro 5 2004	0⅛	100	100¼	18/10	9⅛	9.11
Midland Bank Perp 5	0¼	99¼	99½	19/6	5	5.03
Nat West – Perp 5 89	0⅛	100¾	101	13/11	9⅛	9.05
Nat West Perp A 5¼ S	0⅛	99⅛	99⅜	9/7	5¼	5.29
Nat West Perp B 5¼ S	0¼	99⅛	99⅜	9/8	5¼	5.29
Queensland Coal 5⅛ 96	0⅛	100⅜	100⅝	12/11	9	8.96
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	2/8	12.81	12.91
Sweden Perp 5¼ 85	0¼	100	100¼	9/7	9.44	9.43
Tokai 5¼ 99	0⅛	100¼	100½	12/6	9.94	9.90

Average price change On day −0⅛ on week −0¼

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	96⅞	97⅞	+0⅝	1.78
Fanuc 3¾ 98	1/84	7032.3	142⅝	143⅝	−0⅛	34.13
Fujitsu 3 99	5/84	1320.9	81	82	+0⅛	16.57
Kumagai Gumi 3½ 2000	3/85	800	114⅞	115⅞	−0⅛	6.78
Marui 3½ 99	7/84	1162	100⅝	101⅝	−0½	−0.55
Mitsubishi Elec 2⅞ 00	3/85	422	93⅛	94⅛	+0⅛	−2.74
Murata 3½ 99	2/84	2351.2	92½	93½	+2	28.06
Murata 3½ 2000	7/84	2398	90½	91½	+0¾	27.32
Nippon Elec 2⅞ 2000	1/85	1295	81½	82½	+1⅜	6.25
Nippon Oil Co 3 2000	5/85	923	103¼	104¼	+0⅛	−0.70
Nippon Oil Co 3¼ 99	3/84	1052	90⅞	91⅞	+0½	8.30
Old Elec Ind 3½ 99	10/84	805	88⅛	89⅛	0	25.32
Orient Leasing 5¼ 98	6/83	2680	107⅜	108⅞	+0⅝	−3.36
Sekisui House 3 99	6/84	612	111¼	112¼	−0¼	3.21
Sony Corp 2 2000	5/85	4578	88	89	−0⅜	1.39
Sumitomo Corp 2⅞ 99	5/84	593	123¾	124¾	+0⅝	4.32
Taiyo Yuden 3¼ 2000	3/85	1078	87½	88¾	+0⅛	−1.83
Takeda Riken 3⅜ 2000	10/84	7663	82	83	0	22.19
Tokyo Sanyo Elec 3½ 99	12/84	772	85⅜	86⅛	−2⅜	0.18
Toshiba Ceramics 3 2000	4/85	1734.2	80⅜	81⅜	+0⅝	1.22
Nippon Oil Co 2⅝ 92 SF	3/84	1052	† 105	105½	0	5.75
Nippon Shinpan Co 2 92 SF	3/84	801	† 105½	106	+1⅝	13.65
Asics 5 92 DM	12/83	520	100¼	100½	−0⅛	23.68
Sum Realty 6¼ 92 DM	2/83	338	† 294	295	+9⅞	1.38

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡‡ three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Swiss gnomes mount invasion of Germany's banking parlours

BY JONATHAN CARR IN FRANKFURT

WHERE WILL the Swiss gnomes strike next? The question has been bothering a lot of bankers in West Germany since the start of what has been dubbed, with some exaggeration, the "invasion from the south."

Credit Suisse, the smallest of the big three Swiss banks—its balance-sheet total in 1984 was SwFr 84bn ($33.2bn)—has made most of the running so far. At the start of this year it took over the Grundig Bank of Fuerth, Bavaria, and last month it completed the purchase of Effectenbank Warburg in Frankfurt. But the other big two are not inactive.

Swiss Bank Corporation is planning to set up a fully-fledged Frankfurt subsidiary this year, while Union Bank of Switzerland intends to have its bearer shares and participation certificates listed on the Frankfurt Stock Exchange. The latter move is seen as a prelude to a more active drive into the German banking scene. Yet another "invader"—albeit one doing battle with the Swiss as well as the Germans—is the fast-expanding Bank in Liechtenstein (BiL). Its Frankfurt subsidiary began operations in January.

It may seem odd that all this is happening at a time of worried debate in West Germany over whether Frankfurt can stay in the race as a leading financial centre against the international competition of London, New York and Tokyo. Deutsche Bank, for example, recently moved its non-D-Mark Euromarket business from Frankfurt to London.

But it is precisely the fact that the Germans have seen the challenge and are acting on it which gives the Swiss one big stimulus (among several) to move north. Already this year the Bundesbank, Germany's central bank, has given the green light to the introduction of such financial innovations as zero coupon bonds and variable interest rate instruments—a step it had previously resisted. Since May, foreign banks incorporated in Germany have been allowed at long last to lead-manage D-Mark Eurobond issues. Still more liberalisation moves seem bound to follow.

Credit Suisse has already underlined its particular interest in these new opportunities in Germany with the name it has given to its Frankfurt acquisition, CSFB-Effectenbank. Credit Suisse First Boston is an acknowledeged leader in the Eurobond business and the Frankfurt operation will give it *a handy base* on the *inside* of what stands to be a developing sector of the market.

Apart from the new opportunities arising from the further liberalisation of the German capital market, the Swiss clearly see prospects of growing business with the *Mittelstand*—those medium-sized, often family-owned, companies which form the backbone of German industry. Indeed, many foreign banks in Germany are casting hungry glances at the *Mittelstand* these days, but the Swiss appear notably well-placed to scoop up some of the best morsels. There is n language barrier for the Swiss, and they already have close contacts across the border in southern Germany, where many of the most prosperous small and medium-sized companies are to be found.

All this, of course, means tougher competition at home for the German banks. But they can hardly complain since they have long been encroaching on Swiss territory.

Opinions differ on whether there ever really was a "gentleman's agreement" between the Swiss and German banks, under which neither side would invade the other's preserve. But if ever there was such an accord, it is now well and truly dead. About a dozen German banks are now established in Switzerland, including the big three — Deutsche, Dresdner, and Commerzbank — and the trade-union-owned Bank fuer Gemeinwirtschaft.

Most of the German moves to Switzerland have been within the past five years or so. The German banks saw some of their *domestic corporate customers* giving part of their business to the Swiss, and decided to pre-empt further such moves by *becoming bankers on Swiss soil* themselves. Moreover, Swiss banking secrecy rules meant the Germans in Switzerland could win customer funds from the Middle East and elsewhere which would not have flowed to them at home.

The question remains, which German bank is ripe for Swiss takeover? There are not many obvious opportunities. One splendid chance would have been Schroeder Muenchmayer Hengst (SMH). But Lloyds Bank quickly snapped up the healthy part of that bank *following its near collapse in* late 1983, although some of the brightest members of the former SMH staff joined the Bank in Liechtenstein (Frankfurt). Indeed, it was the availability of the ex-SMH staff which proved decisive in founding the BiL's Frankfurt operation.

The following names are constantly mentioned informally as possible acquisition candidates, though in each case the bank concerned has stressed it is not for sale.

- Trinkhaus and Burkhardt, based in Dusseldorf with group assets, including foreign subsidiaries, of close to DM 6bn ($1.9bn). It is more than 90 per cent owned by Midland Bank, which plans to cut its stake by about 25 per cent though not, it says, by more.
- Bankhaus Hermann Lampe, based in Bielefeld on the fringe of the Ruhr industrial area, with group assets of DM 3.4bn and a bevy of good *Mittelstand* customers. The bank is majority owned by Herr Rudolf August Oetker, the food industry magnate, who recently sold his holding in Deutscher Ring Lebensversicherung, the life insurance company, to the Swiss Baloise group.
- Bethmann Bank, based in Frankfurt, with assets of about DM 1bn. The bank, with a proud family history, is now wholly-owned by Bayerische Vereinsbank, the big Bavarian bank.
- Bankhaus Reuschel (Munich) and Deutsche Laenderbank (Frankfurt-Berlin) are both subsidiaries of Dresdner Bank.

The owners and/or managements stress of all these banks they are "pearls" which are *shining with special lustre these* days. But as one Frankfurt bankers drily observed, "every pearl has its price."

INTL. COMPANIES & FINANCE

Singapore success for Tomy's toys

A Japanese toy company is making an impact on the world market through production facilities in Singapore which are geared to exports to the West, writes Chris Sherwell. European and American parents are playing along happily

ROMPIN' ROADSTER'S eyeball headlights pop up, it bounces happily on its springs, its sky-blue doors snap shut, and away it rolls. To set off, first push down the driver's orange top hat. To delight your 18-month-old child, you might let him or her do it, too.

Alternatively, try a Ring-A-Dingy. Push a coloured button on a plastic typewriter—or cash register, clock or petrol pump—and ring the changes. Next year sample a mock record player, video camera or computer. Try to allow your child to play as well.

If perchance you get bored, there are another three-dozen pre-school toy products to play with — including "prehysterical" monster Zoids—all made in Singapore by the same manufacturer, Tomy Kogyo.

Tomy is a private Japanese company which is increasingly making its mark in the lucrative but cut-throat US\$2bn-a-year world toy market. Its \$300m annual turnover makes it one of Japan's big three toy manufacturers and places it in the world top ten—a league which is dominated by companies like Mattel, General Mills, and Hasbro Bradley of the U.S.

Tomy has four factories in Japan producing a wide variety of toys for children (and adults) of all ages. But the Singapore operation, manufacturing only its well-known range of preschool toys, is Tomy's biggest single plant.

Located on seven floors of what looks almost like a housing block in the corner of an industrial estate, it employs 550 people and exports 98 per cent of its output—the bulk to sister marketing companies in Britain, Europe and North America.

In Britain, Tomy last month reached fifth position in the UK sales tables, having been nowhere just two years ago shortly after it set up Tomy UK to distribute its products.

British industry analysts say Tomy has maintained a high brand profile through constant all-year advertising, and that in the pre-school sector the public is now said to know the name better than that of Fisher-Price, even though Fisher-Price actually outsells it in Britain.

Like the world toy market as a whole, the pace of Tomy's progress rarely appears to slacken. It has been in the business since 1924, when the company was founded by Mr Eiichiro Tomiyama. He died in 1978, four years after moving to the chairmanship to let his son Masanari become president. Grandson Kantaro is also on the board.

The company's success lies in the reliability of its toys and the ingenuity of a 150-strong research and development team in Japan. The idea, says Tomy, is to stimulate the imagination and to cut across nationalities as well as generations.

Creations on the road to recognition have included a bubble-blowing elephant in 1957, a realistic-sounding talking doll in 1964 and, starting in 1967, a series of mechanical toys. Nowadays, of course, computer technology is used in design, and also to produce the mould-making machinery which goes into modern toys.

Thus, it is not just "high-tech" radio-controlled cars, toy robots, home computers and model trains which need precision. So do more traditional model cars, toy characters and even games. Many demand sophistication and elegance in their workings, precisely to achieve the hallmark of simplicity.

Tomy's Singapore operation, for example, produces mechanical rather than electronic toys which are made up principally of moulded plastic, springs and screws.

As for the decision to set up in Singpaore in 1972, it is no secret that, apart from the customary advantages of location, infrastructure and cheaper labour costs, the island state offered advantages under the Generalised Scheme of Preferences (GSP) which for Tomy were a major attraction.

Because of GSP, toys made in Singapore arrive duty-free in the U.S. or Europe, whereas items made in Japan are liable to a duty of 12 or 13 per cent.

As for the foreign sales bases in Britain, West Germany, the U.S. and Canada, these take 80 per cent of the Singapore plant's production, with the remainder of the exports going to distributors in another three dozen countries.

So far Tomy has no single toy which identifies it to the public as the Barbie Doll does for Mattel, the Cindy Doll for Pedigree of the UK or Dungeons and Dragons for TSR, also of the UK.

In any case, times change — Hornby, for example, is now known for its dolls, not its electric trains — and the modern secret is diversification, along with finance to fund today's heavy investment and marketing expenses.

U.S. wants further easing by Japan

BY JUREK MARTIN IN TOKYO

THE U.S. still believes that Japanese financial liberalisation is falling short of expectations because of its failure to create viable short-term markets.

Mr David Mulford, Assistant Secretary at the U.S. Treasury, said after two days of talks in Tokyo with his counterparts at the Ministry of Finance that this deficiency needs "immediate attention" if the yen is ever to reflect Japan's economic strength.

Japanese reforms of large-scale longer-term markets, while welcome, "only get at the periphery of the interest rate structure, not at its heart."

He listed four financial instruments that the U.S. felt Japan should introduce. They are a fully fledged uncollateralised interbank market, operating along U.S. federal funds lines; a larger market in certificates of deposit and a bigger secondary CD market; free discount bill and bankers' acceptances markets, with full participation by foreign banks; and a short-term, low denomination government bond market, again determined by market, not managed, interest rates.

Mr Tomomitsu Oba, the deputy Minister of Finance, said Japan would within a month offer—possibly as part of the broader "import action programme"—what he described as a "tentative schedule" for the deregulation of interest rates on large-scale deposits over the next two to three years.

This would include liberalising interest rates on ordinary time deposits in the Y100m to Y200m (\$400,000 to \$800,000) range, a more flexible regime for money market certificates, including a lowering of the present Y50m minimum and an increase in maturities from six months to two years; and raising the ceilings on the number of CDs issue.

But Mr Oba was unable to offer specific assurances on the short-term, small deposit front, on which most interest rates remain fixed.

Mr Mulford argued that while trade barriers were often difficult to resolve quickly it was incumbent on Japan, especially in the light of protectionist sentiments in the U.S. Congress, to move quickly where and when it could. Its financial regime, he said, was an obvious example of this.

Accepting that capital outflows from Japan were a factor in the yen's relative weakness against the dollar, he said that if Japanese companies were allowed to create more Euroyen assets (that is, yen held outside Japan) the Japanese currency should benefit. This has long been a fundamental contention of the U.S. in this two-year round of negotiations on financial liberalisation.

However, Mr Mulford, referring to reports in yesterday's Japanese Press, insisted that the U.S. had no present serious plan" further to tap Japanese investor interest in the U.S. by issuing yen-denominated U.S. Treasury bonds.

Both Mr Mulford and Mr Oba implied that subsequent talks inside the yen-dollar committee, which will next meet in the autumn, were likely to focus less on Euroyen issues.

HK Bank sells stake in broker

By Our Financial Staff

HONGKONG and Shanghai Banking Corporation has sold its 70 per cent stake in Mansion House Securities, a domestic broking operation which it set up as recently as 1983.

The sale, on undisclosed terms, gives full ownership to Mr Evans Lowe, chief executive of Mansion House.

A half share in the securities house—which has concentrated mainly on private client business—was held through Wardleys Holdings and 20 per cent through Hang Seng Bank.

Hongkong Bank said yesterday the move followed its acquisition of a 29.9 per cent stake in James Capel, the UK broker which has a strong existing presence in the territory. The bank reaffirmed its intention to move to full control of Capel when London Stock Exchange regulations permit.

Mitsubishi Electric ahead

By Our Financial Staff

MITSUBISHI ELECTRIC of Japan yesterday reported a 21.02 per cent boost in consolidated net profits to Y47.04bn (\$189.48m) in the year to March, up from Y38.87bn.

Pre-tax earnings were a similar 20.89 per cent ahead at Y99.14bn against Y82.01bn, on turnover which breached the Y2,000bn mark for the first time—Y2,035bn compared with Y1,741bn.

Japanese steel

PRE-TAX profits for Japanese steelmakers in the year to March were incorrectly stated in the Financial Times of June 1. The true results were: Nippon Steel Y90.81bn, Nippon Kokan Y37.58bn, Kobe Steel Y26.42bn, Kawasaki Steel Y42.24bn, and Sumitomo Metal Y35.24bn.

Personal

UK COMPANY NEWS

Anthony Moreton on Burton's bid for Collier

End of a long courtship

FOR Mr Ralph Halpern yesterday was a case of third time lucky. Twice previously the chairman of the Burton Group had courted Collier, the menswear chain, only to be rebuffed.

He had been unlucky in April, 1983, when United Drapery Stores was trying to offload Collier, then known as John Collier, as a protective measure when it was the subject of a takeover bid from Hanson Trust.

He was similarly out of luck a few months later when Mr David Hall launched a successful management buyout for Collier.

Burton did not give up. "We have courted Collier for a long time." Mr Michael Wood, the group's finance director, said yesterday, "and we are delighted they have accepted our terms."

Although he put a brave face on the deal the decision to sell to Burton must be a big disappointment to Mr Hall, Collier's managing director. Only six months ago he was talking about vigorously opposing any bid.

The reason he has had to swallow his words lies in the institutions which funded the management buy-out that Mr Hall led. The initial prospectus was clearly over-optimistic and the Burton bid offered them an exit at a reasonable price.

For Burton the bid is perfectly in line with its strategy of recent years, exemplified by the massive £475m takeover approach to Debenhams at the start of this month.

Two-thirds of its customers are under the age of 30, according to Mr Wood, and the group indentified with rising buying power is the 25-to-45-year-old young executive.

This segment of the market was first brilliantly exploited by Hepworth and is always associated with Mr George Davies and the Next chain. Next was originally pointed at the affluent younger woman but has since been extended to Next for Men.

Other groups have climbed on this bandwagon—UDS itself with Visuals, Austin Reed with Options and Burton with Principles.

What Burton lacked among its outlets—Dorothy Perkins, Evans, Principles, Top Shop, Peter Robinson—was a specialist stores chain selling men's clothes aimed at the affluent over-30s. The Collier chain is intended to fill this bill in the same way that Debenhams is seen as giving the group a larger share of the total over-30s market.

Burton already has plans to open three Principles for Men in August and with acquisition of Collier there will probably be a rethink about the name under which menswear in this age bracket will be sold.

Will it convert Collier into Principles for Men or drop Principles for Men in favour of the longer-established but slightly fusty image of Collier? It hardly seems likely Burton

Mr Ralph Halpern

will develop the two name simultaneously in the same area.

Retail strategy today is to compartmentalise buying outlets and attempt to attract specific buyers—teenagers, under 25s, 25s to 45s—in specific shops of chains of shops.

This way, small shops can keep up with changes in fashion more easily by buying shorter runs of individual designs and colours of clothes, so changing the representations much more frequently than departmental stores such as House of Fraser or Debenhams or the chains such as Marks and Spencer, Littlewoods and British Home Stores are able to do.

The pity about the Burton Collier takeover from the point of view of Mr Hall is that the reorganisation of Collier was beginning to produce tangible results. "We suffered a lot of frustration when we were in UDS," he said, "because we were under orders to concentrate on formal wear, a declining sector of the market.

"Having gained our freedom we repositioned Collier in an expanding part of the market by modernising stores and introducing the sort of clothes, especially casual wear, that men want.

"We put Collier among the 30-year-olds and offered them greater choice in the middle market.

"The takeover from Burton is acceptable now because this is exactly the area the group wants to boost.

"It will also give our staff greater career prospects. They have been unsettled by talk in the newspapers about a potential takeover though, apart from the Burton bid, there have been no other serious approaches."

With the acquisition of Collier's 200 shops (the company had intended to close eight, which Burton will probably agree to) Burton will have 1,200 shops in the High Street occupying 2.7m sq ft.

Despite this strongly entrenched position it will account for no more than 6 per cent of the turnover by value in the High Street

Initial soundings appear to indicate that the Department of Trade and Industry will not refer the deal, especially as no single supplier accounts for more than 5 per cent of Burton's goods. There is therefore little chance of either the buyer or the supplier being squeezed by the deal.

Twenty years ago the then John Collier group achieved considerable fame with its Collier, the window to watch advertising campaign. Yesterday's news proved it was still a company to watch.

Hambros relies on non-banking interests

THE NON-BANKING activities were the main force behind the profit rise for Hambros in the year to the end of March 1985. Profits after tax and minorities for banking were £9.6m, compared with £10m in 1983-84, whereas non-banking returned £5.7m (£1m).

With the help of the company's share of profit of Hambro Life Assurance of £2m (£4.7m), operating profit before investment gains were £12.8m, compared with £10.2m for the previous year.

A final payment of 45p net per £2 (50p paid) share, has been recommended, a 5 per cent rise on last year's final of 42.75p. That makes a total payment of 65p (58p).

The major increase in non-banking activities was in income from investments, up from £1.7m to £8.1m. The other components were insurance broking £3.8m (£3.1m), stockbroking £700,000 (nil), diamond operations £1m (£900,000) and oil and gas interests which showed a loss of £2.6m against £3m for 1983-84, where there was also a £1m contribution from advertising.

Tax was £6.1m (£3m) and minority interests took £800,000 (£200,000).

During the year the group's 59 per cent interest in Habro Gas and Oil was sold to InterNorth Inc. The oil and gas loss was the loss incurred until the realisation. As part of the sale some properties were retained in a newly-formed company. Full provision has been made against the cost of these properties.

The group also sold its interest in Hambro Life, resulting in an extraordinary profit of £69m. With an extraordinary debit of £3m (£100,000), profit after extraordinary items came out at £83.4m, compared with 12.3m for the previous, when there was an extraordinary item arising from changes in taxation of £12.5m and a transfer from reserves of £12.5m.

See Lex

Textile side gives RFD a lift

A STRONG demand for computer printer ribbons in its textile division together with a cyclical recovery in cable components enabled the **RFD Group** to lift 1984-1985 pre-tax profits by £235,000 to £1.92m.

In defence equipment an initial contribution from the completion of the first two ADT3 weapons training domes was more than offset by a reduction in profitability of parachutes and by continued heavy development costs for compressed air launching products.

Turnover for the full year, to March 31, 1985, improved from £36.69m to £42.86m and at the trading level profits emerged at £2.46m, compared with a previous £1.93m — the group manufactures safety and survival products, defence equipment, specialist textiles and cable components.

A £500,000 rise in tax to £870,000 left net profits trailing by £265,000 at £1.05m but despite a 2p fall in earnings to 7.43p the final dividend is being lifted to 2.71p (2.464p) for a net total of 3.725p, an increase of almost 10 per cent over the previous year's 3.388p.

● comment

RFD Group's result came as a bit of a disappointment even after the downward adjustment in forecasts at the interim stage, but the prospects appear to be brightening. In defence equipment, the group is still being severely squeezed by the Defence Ministry on its profit margins but there are good sales prospects worldwide for its weapons training domes and it should begin to recoup the heavy development costs of its compressed air launchers in a year or two. The cables business is seeing an upturn and is benefiting from investment in a fire resistant sheath. The textiles division, though unlikely to repeat last year's leap in profits from computer printer ribbons, should start to repay investment in the development of other high-performance lightweight textiles, and in the safety and survival division a search for significant improvements in efficiency should increase profitability. The City is forecasting an increase in profits to £2.25m which, after a 40 per cent tax charge, has the shares at 88p trading at a conservative p/e of 9. The likelihood of a steady dividend increase makes them a sound long-term investment.

MAM director quits

By Lucy Kellaway

The director of **Management Agency and Music** who last week took the unusual step of refusing to sign a circular being sent to MAM shareholders outlining the details of a proposed merger with Chrysalis, yesterday resigned from the board of MAM.

Mr David Landau, a solicitor who became a non-executive director in 1969, offered to resign 10 days ago. He then told the board that he was not prepared to accept responsibility for the full details contained in the circular as a matter of principle, even though there was single detail that he objected to, and that he was in favour of the merger.

His resignation was not accepted, as MAM's advisors, Charterhouse Japhet, felt that it would not have been appropriate for a director to step down at the final stage of the merger talks.

The changed stance follows consultations between MAM and the Takeover Panel which considered that his decision to waive responsibility was incompatible with his position on the board.

"We were not happy that a director was not accepting full responsibility, and thought that the best thing was that he should leave," a spokesman from the Takeover Panel said yesterday.

Mr Landau said yesterday that his failure to sign was unconnected with news earlier this week that Spandau Ballet, one of Chrysalis' major artistes, is claiming for damages over an alleged breach of contract. However, he had been worried about potential artists' claims and this justified his fears, he said.

Aitken Hume offshoot faces legal action

By Stefan Wagstyl

Aitken Hume International, the financial group, has disclosed that Aitken Hume (Guernsey), its Guernsey banking subsidiary, faces a legal claim of $500,000 (£390,000).

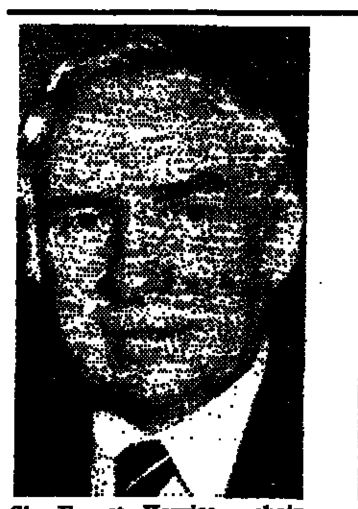
"The company is advised it has a strong defence, liability has been denied and the claim is being contested," says the company in its report and accounts, published yesterday.

It is understood that the claim relates to a transaction involving Hume Corporation which took place before June 1981 when cousins Mr Jonathan Aitken and Mr Timothy Aitken took control of the group and renamed it Aitken Hume.

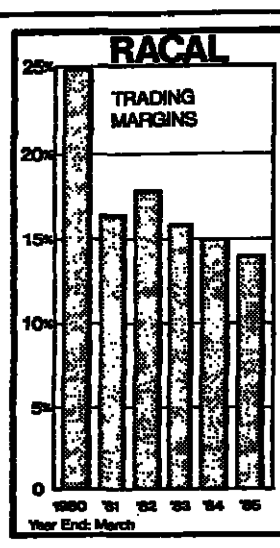
UK COMPANY NEWS

Share price fall wipes £165m off market value

Racal warning of profit downturn



Sir Ernest Harrison, chairman of Racal Electronics



Racal Electronics' market value tumbled from just over £1bn to £835m yesterday as Sir Ernest Harrison, the group chairman, warned of a profits downturn for the first half of the current year.

The warning accompanied Racal's statement for the year to March 31 1985 showing that the group had just bettered the £123.24m profit forecast made when it acquired Chubb & Son, and was slightly adrift of most City estimates of £125m.

Excluding Chubb, the underlying growth rate was below 4 per cent with pre-tax profits rising from £119.25m to £123.61m.

However, after adding in a net £8.69m pre-tax contribution from Chubb, the group showed an 11 per cent improvement to £132.31m, after a surge in interest charge from £2.65m to £11.34m.

Yesterday's share price fall of 36p to 156p is the third major fall this year. In January a warning of a lacklustre performance for the second half of 1984-85 triggered two falls in less than three days that left Racal's shares 72p lower at 218p.

Sir Ernest's latest warning centres around three areas: planned increased costs associated with cellular radio expansion; higher interest charges; and a slow start to the order intake of U.S. operations.

Cellular radio is to be built up more quickly and peak costs will be incurred in the first half. Racal hopes that cellular radio will reach the break-even point in the final quarter.

Over 7,000 subscribers are already connected and by the end of 1985-86 the total is expected to be 20,000. Racal will be producing equipment in the UK next month.

Racal also announced yesterday a further £40m order for its tactical radio equipment through its Racal-Tacticom subsidiary. This is the largest single order received by any Racal company for complete equipment and will be fully delivered in the current year.

During the period from March to May 1985, additional orders worth £40m were received making a total of £81m. This underlines Racal's position "as the world's number one supplier of tactical radio equipment and systems," says Sir Ernest.

Regarding overall group prospects for 1985-86, he is looking for higher sales but says that the rate of profits growth will very much depend upon the strength of the U.S. economy. Sales for the year under review rose from £815.65m to £1.11bn, including a £163.33m contribution from Chubb.

Despite problems in January, the data group's world wide sales rose by £70m to £350m (equal to 31 per cent of the group total) while the radio side notched up a £20m increase to £185m.

After tax of £46.16m, against £39.96m, earnings per share emerged ahead at 15.55p compared with 14.81p. The final dividend is being raised by 0.11p to 2.268p, making a total of 3.034p (2.89p).

There were extraordinary charges of £9m (£3.6m)—extraordinary expenditure of Chubb amounted to £7.55m—which left the attributable balance at £76.66m (£75.58m).

See Lex

Guinness and Bell chiefs meet in London

RELATIONS BETWEEN Guinness and Arthur Bell & Sons appeared to improve yesterday after the chief executives of the two companies met for what they later described as frank discussions. Earlier this month Guinness launched a £300m takeover bid for the whisky distiller.

Mr Ernest Saunders, chief executive of the stout brewer, met Mr Raymond Miquel, chairman and chief executive of Bell, for talks at a neutral venue in London.

Neither side would reveal if anything had been achieved by the meeting but Guinness said: "The fact that it took place is quite significant. Mr Miquel had said he would not meet us under any circumstances."

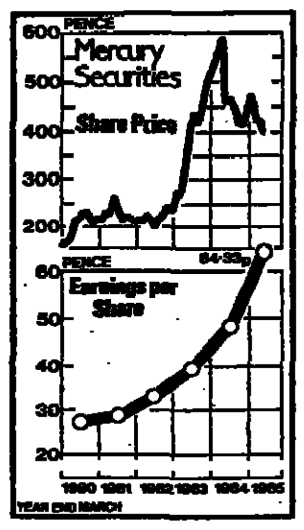
Mr Miquel, who was in the U.S. when the Guinness bid was announced on June 14, described it at the time as "certainly inadequate."

Guinness expects to send out its formal offer document by the end of this week. It is offering nine of its shares for every 10 of Bell, with a cash alternative of 225p per share.

The bid has been accompanied by fierce political lobbying with Scottish MPs pressing, in the Commons, for the bid to be halted on the grounds that Scottish industry has already been diluted by overseas control.

Guinness's shares fell 2p to 252p yesterday, while Bell was unchanged at 235p. The Guinness offer is worth 227p per share.

Mercury Securities up £7m: merger plans well advanced



Mercury Securities, the holding company for S. G. Warburg, the merchant bank, raised its 1984/85 attributable profits by £7.4m to £28.21m and is lifting the year's dividend from 11.5p to 16p. The increase was mainly due to strong merchant banking activities.

Mr David Scholey, the chairman, says the year was as active and profitable as any in the group's history.

He tells shareholders that the most significant development was Mercury's proposed merger with jobbers Akroyd & Smithers and brokers Rowe & Pitman and Mullens & Co.

The planning and preparation for the merged group's operations are well advanced.

On a pro forma basis combined profits attributable to ordinary shareholders in the new group, to be known as the Mercury International Group, amounted to £40.6m in the 12 months to March 31 1985, compared with £37.7m the previous year.

The merger will be implemented when the new Stock Exchange rules permit. The pro forma figures were prepared, for the purpose of information only, on the assumption that the merger had been fully implemented throughout the year to March.

Mr Scholey says the merger provides an ideal foundation for a combined group to operate profitably in offering integrated merchant banking and broker/dealer services in the UK and other main financial centres of the world.

He adds that since the end of the financial year Mercury has realised investments for proceeds of over £50m and a profit of approximately £17.4m after tax.

Mr Scholey concludes that the expected initial capital resources of the merged group of over £300m will provide a strong and flexible financial base for Mercury's UK and international business in the new market structure.

The arrangements for the merger would, on the basis of the results of the four companies for the financial periods ended on or about March 31 1985 result in shareholders of Mercury Securities receiving, in addition to new ordinary shares in Mercury International, approximately £24.7m nominal of preference shares. This would give an overall exchange basis of 100 ordinary shares and some 56 preference shares of £1 each of Mercury International for every 100 shares of Mercury Securities.

Mercury Securities' profits for the past year were after tax and minority interests and after transfers by S. G. Warburg to inner reserves. There was also an extraordinary credit (principally the sale of MPA Holdings) of £9.67m, bringing the total to £37.87m (£20.81m).

Disclosed actual earnings per 25p share emerged at 64.33p (48.01p), or at 60.24p (45.8p) diluted.

The profits included £24.89m (£18.21m) from merchant banking, £2.66m (£1.72m) from insurance broking (Stewart Wrightson Holdings) and £1.81m (£829,000) from securities trading (Akroyd & Smithers) — the comparative figures for securities trading were from Akroyd's acquisition in November/December, 1983.

Profits at Rowe & Pitman were £7.1m, down from £8.1m, mainly because of the start up costs of Rowak, the group's international equity trading company.

Interest charges rose from £524,000 to £1.47m. The share of attributable profits from associates totalled £7.64m (£4.97m). Exchange and other adjustments added £6.91m to disclosed reserves.

Since the year-end the group has sold its investments in Stewart Wrightson Holdings, Effectenbank-Warburg AG and Societe des Banques S.G. Warburg et Leu for aggregate proceeds of £50.1m, which subject to tax, are available for deployment in the group's principal merchant banking activities.

Royal becomes favourite for Lloyd's Life

By David Goodhart

Royal Insurance, Britain's largest composite insurance group, announced yesterday that it is on the short list of six potential buyers for Lloyd's Life Assurance.

Lloyd's of London revealed in February that it was putting Lloyd's Life up for sale—expecting to raise about £100m. At the same time it announced the plan to draw up a short list of acceptable prospective buyers and to select the highest bidder.

There was strong market speculation before Royal Insurance's statement that it is now the favourite to buy Life. Royal's share price fell 10p yesterday to 656p.

If Royal Insurance were to buy Life it would almost certainly be a cash deal. Royal yesterday denied speculation of a vendor placing of 15m shares to acquire Life.

Royal spelt out last week that it had no plans for a rights issue and yesterday added: "That denial extends to vendor placings and eurodollar issues."

It is thought to be the only British bidder on the list.

Morgan Grenfell, merchant bank adviser to Life, originally sent out details of the company and a memorandum of its prospects to nearly 100 potential buyers but there was a relatively low response from the UK. The last valuation of Life at the end of last year was £46m.

Share sale funds Bradstock deal

BY STEFAN WAGSTYL

THE DIRECTORS of insurance broker Bradstock Group are bringing their company to the stock market in order to finance a management buy-out.

In an unusual deal, Mr Robin Gibson, the managing director, and fellow board members earlier this month bought the group from Mr David Bradstock, the founder and chairman, and his partners, funding the purchase with the help of personal bank loans.

Now they are floating 21.7 per cent of the equity on the stock market. Merchant bank Kleinwort Benson is seeking a listing for the company by an offer for sale of 2.6m shares at 170p, valuing the group at £20.4m.

All the shares are being sold on behalf of the directors and their backers in the buy-out. But Mr Gibson said that he and his colleagues would still have "substantial" bank loans after the offer for sale.

The group, founded in 1959, is made up of two separate broking businesses—direct insurance handled mainly through Bradstock Blunt & Thompson, and reinsurance conducted mainly through Bradstock Blunt & Crawley.

The direct insurance company deals with the general insurance needs of industrial and commercial companies and professional firms, including chartered accountants for whom there is a special professional indemnity scheme.

The reinsurance company handles all classes of reinsurance broking, with some 60 per cent of income from aviation, and the rest from marine and non-marine.

Over the past five years brokerage and fee income has grown steadily from £2.85m in 1980 to £5.58m in the year to September 1984. Profits meanwhile have increased from £226,000 pre-tax in 1980 to £1.8m last year.

For the current year, the group is forecasting profits of not less than £2.6m. For the first half of the year, pre-tax profits were £1.4m. The directors plan to pay a 3.5p final dividend.

At the offer price, the shares are valued at 13.7 times forecast earnings of 12.4p calculated after a 44 per cent estimated tax charge. The indicated annual yield is 4.4 per cent.

Mr Bradstock who is to remain the group's executive chairman, said that after the management buy-out the company would stay under the control of the management team which had been responsible for its development for the past 10 years.

The application lists for the offer for sale will close on July 2, and dealings are expected to begin on July 9. The broker is Rowe and Pitman.

● comment

Bradstock Group offers stock market investors a rare chance to back management buy-out at its inception. The company has been unnecessarily secretive about the details of the buy-out—notably about the value placed on the business by Mr Bradstock in selling out to his boardroom colleagues—but in other respects the nature of the group coming to market seems very clear. The company has a strong reputation in the insurance market as a steady and reliable performer; unlike some smaller broking companies it is a generalist rather than a specialist—preferring to spread its business and its risks across a range of markets and clients. However, there is a possibility that the group could fall victim to the jitters which have crept into the stock market in the last few days—at 13.7 times prospective earnings the company is priced close to the average for other insurance brokers, leaving little margin for error should investors' appetite for new issues suddenly evaporate.

BOARD MEETINGS

TODAY

Interims—J. Bibby, Eldridge Pope, First National Securities, Glass Glover, Hardys and Hansons, Morceau.

Finals—Ariel Industries, BPB Industries, John Booth (Bolton), Braithwaite Engineers, Brickhouse Dudley, Cable and Wireless, Country Gentlemen's Association, First National Finance Corporation, Hampton Gold Mining Areas, Arthur Henriques, Hogg Robinson, Longton Industrial, Scantronic, Western Motor.

FUTURE DATES

Interims:—

Eurotherm International	July 10
Glasgow Stockholders Trust	July 19
Speyhawk	June 27

Finals:—

Batleys of Yorkshire	July 8
Bespak	July 24
Birmingham Mint	July 3
Dixons	July 17
Elswick-Hopper	July 12
Fuller Smith and Turner	June 27
Mountleigh	July 2
Norbain Electronics	July 4
Toothill (R. W.)	July 3
United Guarantee	June 28

Trafalgar has 25% of Kier

By Andrew Arends

Trafalgar House, the construction shipping and property group, has increased its stake in construction group French Kier from 14.9 to 25.2 per cent. The move was seen in some quarters of the market as a prelude to a full bid.

In May, Trafalgar House bought back from Amec a 14.9 per cent holding in French Kier, which it sold four years ago, at a cost of £9.85m. It said yesterday that the purchase of a further 5.1m ordinary shares was a "trade investment." At yesterday's opening price it would have cost Trafalgar House around £8.5m.

However, one stockbroker commented yesterday that a 25 per cent stake in a company was more than most fund managers would hold as a trade investment.

Last night French Kier shares jumped 16p to 182p which values the group at around £90m. Trafalgar House shares slipped 12p yesterday to close at 330p.

In recent months Trafalgar House has made a number of share acquisitions in other construction and engineering groups. Earlier last month it said it had bought a 5 per cent stake in Higgs and Hill, and in March it revealed it held a 5.5 per cent stake in Davy, the large engineering and construction group.

But on June 6 it announced it was dropping its £37.2m takeover bid for Haden, the engineering group, in the face of a £55.8m management buy-out counter bid.

Last night Mr Alan Frettsome, French Kier chairman since May 24 of this year refused to comment on the possibility of a takeover bid.

Haden buy-out goes through

By David Goodhart

The success of the £55.8m management buy-out bid for Haden, the building and engineering group, was guaranteed yesterday. It is the biggest management buy-out yet in the UK.

Managood, the company set up by Haden's management to carry out the deal, announced it had received acceptances from the holders of 79.4 per cent of the ordinary shares (12.3m) taking its total ownership to 82.8 per cent (12.8m).

Managood has also acquired 31.7 per cent (8,618) of the 5.6 per cent preference shares and 99.7 per cent (249,367) of the 2.85 per cent preference shares.

The offers have been extended until 3 pm on Monday 1st July. Yesterday Haden's shares were unchanged at 357p.

Backing the 27 senior Haden managers in the new company are a number of City institutions—led by the Electra and Globe investment trusts—and the Prudential Insurance Company of America.

Earlier this month Trafalgar House, the shipping, engineering and construction group, gave up a £37.2m bid for Haden. The company is one of the few remaining independent building services equipment companies in the UK.

LADBROKE INDEX
953-957 (−7)
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Crest Nicholson forecasts further profit increase

DESPITE little-changed pre-tax profits at the half-way stage, Crest Nicholson, is predicting that profits will increase again in the full year.

Turnover for the six months to the end of April 1985 rose by 14 per cent to £39.81m (£34.96m), giving pre-tax profits of £1.06m, compared to £1.01m for the same period the previous year.

An increase in the interim dividend to 1.5p net per 10p share (1.25p) is recommended. Last year a total of 3.75p was paid on profits of £8.52m.

Mr David Donne, the chairman, says that there is an imbalance between the two halves because of the seasonal nature of much of the group's activities.

● comment

Crest Nicholson's first half figures are no guide to final performance—hence the analysts are forecasting £9.5m pre-tax for the full year regardless of the static interims. On the horizon, however, has to be the possibility of a rights issue in order to reduce capital gearing from the present 60 per cent level. Certainly fresh funds could be well used to make a reasonable sized acquisition—more small purchases would not go down well with a market that still needs to be convinced that Crest is really a two-legged animal. Under such circumstances the right market strategy for the investor could be to wait until an announcement is made, although the shares on a prospective p/e of almost 7 at 97p and a yield of 5.9 per cent do not look over-priced.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ernest Jones ......int.	1.4	Aug 27	1.4	—	3.9
FII‡¶ ......int.	1.36	July 24	1.18	—	3.9
Whitecroft	5.4	Aug 12	4.6	7.7	6.6
Hambros	45	—	42.75	65	58
Sainless Metalcraft int.	2‡	—	2	—	4.2
Petbow	1.1	—	1	1.1	1
London Inv. Tst.	0.72	Aug 27	0.66	1.16	1.06
Crest Nicholson ......int.	1.5	Oct 7	1.25	—	3.75
Racal Electronics	2.27	Aug 21	2.16	3.03	2.89
Mercury Secs.	16	—	11.5	16	11.5
Petbow	1.1	—	1	1.1	1
Halma	1.17	Aug 16	0.97	1.89	1.58
CPS Computer ......int.	0.3‡	July 31	0.3	—	1
Hargreaves	2.5	July 29	2.25	4.5	4
RFD Group	2.71	Aug 2	2.46	3.73	3.39

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency throughout.

Prestwich calls for £3m to fund expansion

By Lucy Kellaway

Prestwich Holdings, the Manchester-based holding company that has seen its shares leap from a low of 36p last year to 150p yesterday as a result of the acquisition in September of Palan Entertainments, has announced a two-for-five rights issue at 120p to raise £3.14m.

At the same time the company revealed plans to acquire pop T-shirt licencee and merchandiser, Mobile Merchandising Company, for an intial sum of £575,000. Prestwich also forecasts that profits for the current year will be at least £850,00—a 225 per cent increase on the £261,000 made in 1984.

Proceeds of the rights issue will be used to fund recent growth, which has included the expansion of the group's optician shops by a link with Ratners Jewellers, and via Palan a major move into the buying and licencing of rights for video, cinema and television.

The initial purchase price of Mobile, which will be financed by £116,000 in cash and the remainder by the issue of 382,000 new shares in Prestwich, is £94,000 above net tangible assets of £481,000.

Under the terms of the deal the vendors will receive the full amount of Mobile5s after tax profits from January 1 1985 to June 30 1988. In the following year the vendors will receive half of any profit in excess of £500,000.

Prestwich also announced yesterday that it will be recommending a final dividend of 0.7p a share to make a dividend for the year of 1.05p, a 50 per cent increase on the previous year.

Polypipe comes to USM with £12m value

By Lucy Kellaway

Polypipe, a manufacturer and supplier of plastic plumbing systems, is joining the USM with a market value of £12m.

County Bank is placing 2.9m shares at 99p each, representing 23.9 per cent of the enlarged share capital. The placing will raise £900,000 for existing shareholders and about £1.7m for the company after expenses. This money will be used initially to reduce bank overdrafts, which stood at £1.6m at the end of May, and to increase working capital.

Five years ago Polypipe started producing a small number of plastic plumbing products from a factory at Doncaster. Since then both turnover and profits have increased rapidly to just over £1m in 1984—on sales of £8.4m—as the company has enlarged its product range and its customer base.

Polypipe now has about 15 per cent of the above ground UK plastic plumbing market, and about a 30 per cent share in the North. It is currently stepping up its sales efforts in the South and in Scotland, which now account for less than 10 per cent of sales, and to this end has recently opened a factory at Sittingbourne.

The key to Polypipe's rapid growth has been to undercut drastically the prices of its competitors. Although its larger rivals have responded by reducing their own prices, Polypipe claims that it can retain its competitive advantage because of its tight control of costs.

Earlier this year Polypipe moved into the underground plastic drainage market, which is about the same size as the market for above ground systems. The move should help the company sell its products to building merchants who require both above and below ground systems.

For the current year to June 1985, Polypipe is forecasting a 23 per cent increase in pre-tax profits to £1.3m on a turnover 38 per cent up at £11.6m. Based upon this forecast, the shares at the placing price are on a p/e of 12.4 after an estimated 35 per cent tax charge.

The yield is 4.2 per cent on a projected dividend of 2.9p. Dealings are expected to start on July 1.

Yearlings up

The interest rate for this week's issue of local authority bonds is 12 per cent, up 1/16 of a percentage point from last week, and compares with 10½ per cent a year ago. The bonds are issued at par and are redeemable on July 2 1986. A full list of issues will be published in tomorrow's edition.

Hargreaves doubles to £7m despite coal strike

WITH THE contribution from its energy, transport and shipping activities more than doubled, Hargreaves Group, West Yorkshire-based industrial holding company, has lifted pre-tax profits to a record £7.1m for the year to end-March 1985, against £3.52m previously.

The directors say that strategic reshaping of the group has enabled it to take advantage of an unusually high level of activity in fuel oil trading and to withstand the inroads made by the miners' strike.

They add that the group has now successfully moved above its profit plateau, and that the new financial year has started very well in the main activities.

For 1984-85 the bulk of profits, some £4.26m (£1.62m), were earned in the second half, and the directors are recommending a higher 2.5p (2.25p) final, to lift the total dividend for the year to 4.5p (4p).

Group turnover surged by £203.1m to £397.75m, with sales and profits divided as to energy, transport and shipping £350.66m (£150.14m) and £6.33m and (£3.03m), environment and construction materials £23.27m (£22.77m) and £706,000 (£1.11m), commercial vehicle distribution £23.83m (£21.77m) and £80,000 (losses £613,000).

Tax amounted to £3.51m (£1.41m), and there were minorities of £123,000 (nil). Last time extraordinary items took £27,000.

Attributable profits emerged £1.38m ahead at £3.47m, for earnings 63 per cent higher at 9.8p (6p), per 20p share.

Retained profits increased to £1.88m (£685,000).

● **comment**

Viewing doubled profits from Hargreaves, it is hard to believe that there was a long and bitter miners' strike. But the group was lucky to the extent that it had expanded its fuel oil division in December '83 with the purchase of Glovers and had completed an extensive reorganisation before the strike really took hold. So while UK solid fuel distribution activities were almost jerked to a stop by the strike, the CEGB and industrial customers were besieging liquid fuel suppliers just as Hargreaves got its oil division's act together. The solid fuel side was not totally without work, for its activities cover some of the regions that were still working while in the European market the group remained active thanks to its Belgian subsidiary. Elsewhere commercial vehicles swung into the black after some dramatic surgery though construction was hampered by a lack of spending on roads and the sharp decline at Pozament, which supplies grout for the NCB. Though the full picture of solid fuel swings and oil fuel roundabouts is not clear, the exceptional profits probably balanced the exceptional setbacks. So the £6.3m from energy remains a firm base line for growth this year which will see further reshaping of the group. At 110p the shares yield 5.8 per cent and stand on a p/e of 11.2.

Lower profits hit CPS shares

WITH PRE-TAX profits failing to meet expectations, the share price of CPS Computer Group fell by 15p on the day to 48p.

On turnover up by 50 per cent from £15.48m to £23.9m, pre-tax profits fell by 36 per cent to £602,000 (£948,000). An unchanged interim of 0.5p is declared. Last year a total dividend of 1p was paid.

At one time, following its arrival on the USM in March last year, the shares touched 205p.

Mr Geoffrey Sewell, the chairman, says that turnover for the period to March 31 1985 was in line with internal budgets but profits were below expectations as a result of losses in its CPS (Data Systems) and Lamex subsidiaries.

The strong U.S. dollar adversely affected the results for Data Systems as well as heavy discounting on the IBM PC and associated products. The chairman says, however, that action has been taken to restore margins, including the introduction of new products, which have been well received. An improvement is expected in the second half.

Lamex suffered because of the confusion created by IBM in the marketing of its intermediate product range. However a good prospect list has been established and an increase in order intake is expected soon.

The integration of Phoenix Computer Associates has been completed, giving the group increased penetration of international markets. It is expanding its sales force and product range in the States and, the chairman says, should contribute to profits in the second half.

Trading profit for the half year fell by £211,000 to £720,000 and the pre-tax figure was struck after net interest payable of £138,000 (£3,000).

Pre-tax profit includes figures, on a merger basis, from Phoenix Computer Associates which incurred losses for the period of £30,000, compared to profits of £127,000 for the comparable period the year before. It also reflects the revised basis of allocating certain accrued items which has deferred £194,000 of profit to the second half.

Tax took £150,000 (£63,000) and dividends £74,000 (£17,000). Earnings per 20p share were halved at 1.5p.

Petbow recovers to £400,000

WITH ALL of its major operating subsidiaries and divisions contributing profits during the second six months Petbow Holdings moved back into the black for the full year to March 31, 1985.

Sales were at a reduced level, reflecting the policy of accepting only profitable business with secure terms of payment, but profits at the pre-tax level reached £409,000, compared with previous losses of £1.69m.

The figures were after redundancy costs of £188,000 (£555,000) and a special provision last year of £580,000.

Market conditions were difficult, especially in export areas—the group's principal activities take in the design, manufacture and sale of diesel generating sets and welding equipment. It also has interests in trade printing by litho and silk screen processes.

Turnover for the year declined from £24.73m to £19.5m but at the trading level the group swung from losses of £1.24m to profits of £0.72m. Net interest charges accounted for £306,000, compared with £455,000.

Earnings amounted to 1.33p (losses 14.22p) and the dividend is being lifted from 1p to 1.1p net per 10p share.

The directors do not expect trading conditions to be any easier in the current year but they expect to expand divisional sales by both continuing to improve and widen existing product ranges and aggressive marketing.

They say, however, that there is clear evidence now of a substantial shortage of funds, particularly in the Third World, for projects requiring power generation.

In the belief that it is essential for the group to diversify its product and market base an acquisition policy is being pursued.

Traditionally, the second six months are more profitable for the group.

Halma nears £4m as margins improve

AN IMPROVEMENT in trading margins for 1984-85 pushed Halma up to near the £4m mark pre-tax, and the dividend is to be lifted my 20 per cent.

The outcome for the period to March 30 showed a rise in taxable profits from £3.05m to £3.89m, or some 28 per cent, on turnover 19 per cent head at £24.95m (£20.99m).

With trading profits ahead by £359,000 at £3.95m, this represented a 1 point improvement in margins to 15.8 per cent.

The directors have declared a final dividend of 1.167p net per share, up from 0.972p, for a total of 1.894p against 1.578p.

The directors state that the group was able to generate a very strong cash flow. After capital expenditure more than doubled at £1.97m, cash acquisitions amounting to £422,000 and substantial loan repayments, net cash balances at the year end amounted to £2.33m.

Halma, which is involved in safety, security and environmental control, paid more in tax at £1.49m against £1.29m.

The directors also recommend a scrip issue on a one-for-three basis.

● **comment**

Halma has again produced profit above eve noptimistic forecasts. Progress in the UK is coming from across the board: among the leaders — and illustrating the range of the group's activities—are Apollo Fire Detectors, supplying the sophisticated end of its market with high-tech sensors which have a low false alarm rate; Power Equipment, in the expanding market of supplying silencing covers for business machines; Standard Machinery, profiting from a surprising upsurge in demand for machinery for the shoemaking industry; and Wilkinson and Simpson, which counts itself among the world leaders in making reagents for water analysis. The only blot on the landscape, and a mere smudge at that, has been Aquionics, set up in the U.S. last year to market ultra-violet water sterilisation equipment, which turned in a not-unexpected initial loss. In the past five months there have been another five acquisitions fitting in with the existing range of activities, and more are likely. Their contribution combined with further organic growth could provide profits of £5.4m which, on a 36 per cent tax charge and at 233p, produces a prospective p/e ratio of 18—high for the sector but mean in the circumstances.

Whitecroft over £7m

WHITECROFT, engaged in textiles, building supplies and engineering, raised pre-tax from £6.24m to a record £7.46m in the year to March 31, 1985, and is lifting the dividend to 7.7p (6.6p) with a final of 5.4p (4.6p). Turnover rose to £101.67m (£95.7m).

Net profits emerged at £4.21m (£4.62m) after tax of £3.25m (£1.62m). Earnings amounted to 19.4p (22.6p) per 25p share. Property development activities produced profits of £1.29m (£97,000).

A copy of this prospectus, which comprises listing particulars with regard to Bradstock Group PLC (the "Company") required by The Stock Exchange (Listing) Regulations 1984 has been delivered to the Registrar of Companies for registration in accordance with those Regulations.
Application has been made to the Council of The Stock Exchange for the whole of the issued ordinary share capital of the Company to be admitted to the Official List, and the listing particulars have been approved by the Council.
The Directors of the Company, whose names appear in this prospectus, are the persons responsible for the information contained in this prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

BRADSTOCK GROUP PLC

(Registered in England—no. 644863)

OFFER FOR SALE

BY

KLEINWORT, BENSON LIMITED

OF 2,606,234 ORDINARY SHARES OF 5p EACH AT A PRICE OF 170p PER SHARE, PAYABLE IN FULL ON APPLICATION

Applications must be received not later than 10 a.m. on 2nd July 1985 and the application list will close as soon thereafter as Kleinwort, Benson Limited may determine. The procedure for application (including an application form) is set out at the end of this prospectus.

DIRECTORS AND ADVISERS

Directors
David Fitzherbert Bradstock *(Chairman)*
Robin Edward Graeme Gibson *(Managing Director)*
Peter William John Cresswell
Noel Ronald Hayden
Edmund Brian McGrath
Cyril Payne
Oliver David Plunkett
all of
5b Wardrobe Place
London EC4V 5ED

Secretary
Registered Office
Rodney Jeffreys *F.C.A.*
5b Wardrobe Place
London EC4V 5ED

Auditors and Joint Reporting Accountants
Macnair Mason
Chartered Accountants
58 Houndsditch
London EC3A 7EU

Joint Reporting Accountants
Price Waterhouse
Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY

Issuing House
Kleinwort, Benson Limited
20 Fenchurch Street
London EC3P 3DB

Joint Solicitors to the Company
Norton, Rose, Botterell & Roche
Kempson House
Camomile Street
London EC3A 7AN

Ashurst Morris Crisp & Co.
Broadgate House
7 Eldon Street
London EC2M 7HD

Solicitors to the Offer
Herbert Smith & Co.
Watling House
35-37 Cannon Street
London EC4M 5SD

Stockbrokers
Rowe & Pitman
1 Finsbury Avenue
London EC2M 2PA

Principal Bankers
C. Hoare & Co.
37 Fleet Street
London EC4P 4DQ

Registrar, Receiving Banker and Transfer Office
Lloyds Bank Plc
Registrars' Department
Goring-by-Sea
Worthing
West Sussex BN12 6DA

INDEBTEDNESS

At the close of business on 31st May 1985, the Company *and its subsidiaries had outstanding secured bank loans* repayable in one to five years of £1,250,000 and contingent liabilities of £225,000 in the form of unsecured counter-indemnities and guarantees to banks.

Save as aforesaid and apart from intra-Group borrowings, the Company and its subsidiaries had at that date no loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured) or other borrowings and indebtedness in the nature of borrowing including bank overdrafts, hire-purchase commitments, mortgages, charges, contingent liabilities or guarantees.

SUMMARY OF INFORMATION

The following information should be read in conjunction with the full text of this prospectus from which it is derived:—

BUSINESS
The Group was founded in 1959 and is engaged in insurance broking and reinsurance broking with offices in London, Nottingham, Manchester, Glasgow, Belfast and New York.

TRADING RESULTS

	Year ended 30th September 1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
Brokerage and fee income	2,852	3,327	3,988	4,594	5,582
Net investment income	359	414	497	405	679
Expenses	(2,730)	(2,965)	(3,510)	(3,774)	(4,562)
Profit before taxation	226	836	845	1,064	1,821
Profit after taxation and minority interests	28	351	318	464	878

Forecast profit before taxation for the year to 30th September 1985 .... £2.6 million

OFFER FOR SALE STATISTICS

Issued share capital	*11,991,876 Ordinary Shares*
Market capitalisation at the Offer for Sale Price	£20.4 million
Net tangible assets as at 31st March 1985	£2.6 million
Earnings per share for the year ended 30th September 1984	7.6p
Forecast earnings per share for the year to 30th September 1985*†	12.4p
Price earnings multiple based on forecast earnings per share*†	13.7 times
Indicated annual dividend for the year to 30th September 1985* (net of the associated tax credit)	5.25p
Gross dividend yield at the Offer for Sale Price (based on the indicated annual dividend of 5.25p per share)	4.4 per cent.

* *On the basis of 11,647,561 Ordinary Shares being the weighted average number of shares notionally in issue during the relevant year adjusted for the two capitalisation issues and consolidation in June 1985.*
† *After an estimated 44 per cent. tax charge.*

SHARE CAPITAL

AUTHORISED		ISSUED AND FULLY PAID
£760,000	IN ORDINARY SHARES OF 5P EACH	£599,593.80

The Ordinary Shares now offered for sale rank in full for all dividends and other distributions hereafter declared, made or paid.

DEFINITIONS

In this prospectus, the following expressions shall have the following meanings:—

the "Company"
Bradstock Group PLC
the "Directors" or the "Board"
the directors of the Company
the "Group"
the Company and its subsidiaries
"Kleinwort Benson"
Kleinwort, Benson Limited
the "Offer for Sale"
the offer for sale by Kleinwort Benson of 2,606,234 Ordinary Shares as described herein
"Offer for Sale Price"
the price per share at which Ordinary Shares are offered for sale under the Offer for Sale
"Ordinary Shares"
ordinary shares of 5p each of the Company
"Bradstock Plunket & Crawley" or "BPC"
Bradstock, Plunket & Crawley Limited
"Bradstock Blunt & Thompson" or "BBT"
Bradstock, Blunt & Thompson Limited
"Bradstock Blunt & Crawley" or "BBC"
Bradstock Blunt & Crawley Limited
"Bradstock Inc"
Bradstock, Incorporated
"Bradstock Blunt (Northern)" or "BB(N)"
Bradstock, *Blunt (Northern) Limited*
"Bradstock Blunt (N.I.)" or "BB(NI)"
Bradstock, Blunt (N.I.) Limited
"Bradstock Blunt (Scotland)" or "BB(S)"
Bradstock, Blunt (Scotland) Limited
"Bradstock Blunt & Thompson (L&P)" or "BBT(L&P)"
Bradstock, Blunt & Thompson (L&P) Limited
"Bradstock Blanch"
Bradstock Blanch Limited

DESCRIPTION OF THE GROUP

INTRODUCTION

The Company is a holding company for a group of insurance broking and reinsurance broking companies carrying on business principally in the United Kingdom and the United States of America. The Group has been engaged in direct insurance broking since 1959 and expanded its activities to include reinsurance broking in 1963.

The Group comprises two distinct insurance broking businesses:
- direct insurance broking conducted mainly through Bradstock Blunt & Thompson; and
- reinsurance broking conducted mainly through Bradstock Blunt & Crawley.

Each business operates in its particular market under its own executive management with the Board providing overall direction, supported by centralised management and administrative services. The Group's accounting systems are computerised and are located at Southend. In addition, each of the two broking businesses has a computer system tailored to handle its specific needs.

Each of the two broking businesses earns brokerage by placing business on behalf of clients with insurers or reinsurers; neither business is involved in underwriting risks.

The majority of the Group's income is received in the form of brokerage (which represents a percentage of the premium charged for the insurance or reinsurance of the risk) from the insurers and reinsurers with whom it places business.

In the Spring of 1984, as described under "Management and Employees" below, the present Managing Director, Robin Gibson, and a number of key executives, commenced discussions regarding the acquisition of a controlling interest in the Group from its founder David Bradstock and members of his family. This acquisition was completed in June 1985. David Bradstock continues as Chairman of the Group.

DIRECT INSURANCE BROKING—BRADSTOCK BLUNT & THOMPSON

BBT's business consists of dealing with the general insurance needs of a wide variety of clients, primarily industrial and commercial companies and professional firms. Its clients include organisations such as The National Trust, Renault Truck Industries Limited and JVC (U.K.) Limited. In addition, it places business on behalf of housing associations and charities as well as two regional water authorities and all 29 statutory water companies.

BBT is particularly active in arranging professional indemnity insurance, with a special scheme for chartered accountants, and believes that it is well placed to take advantage of the growing demand from professional firms for more extensive and sophisticated cover. It also provides specialist services to many insolvency practitioners, including several of the largest international firms of chartered accountants.

BBT provides consultancy services to certain smaller brokers in order to assist them in designing and implementing more effective insurance programmes for their clients. This enables it to earn a share of the brokerage and to arrange other forms of specialised insurance which the client may not already have.

BBT has recently developed a personal motor insurance scheme in conjunction with Renault (UK) Limited which provides BBT with access to individuals on a mass mailing basis. The Directors believe that there are attractive opportunities for developing this type of scheme in conjunction with other clients. The mass mailing scheme is administered by the Nottingham office which has installed a specialised computer system to enable a large volume of small accounts to be processed efficiently and cost-effectively.

Bradstock Blunt & Thompson (L&P) covers a broad spread of life assurance and pension business. The emphasis is on pensions, where advice is given to professional, corporate and individual clients.

BBT carries on business through a number of regional offices, established as wholly-owned subsidiaries of the Company, as well as from its headquarters in London. Bradstock Blunt (Northern) was started in 1975 and has offices in Manchester and Nottingham; Bradstock Blunt (Scotland) started operations in 1978, based in Glasgow; followed by Bradstock Blunt (N.I.) in 1980 with an office in Belfast. Each regional office provides the full range of direct insurance broking services.

The breakdown of the sources of direct insurance broking business is set out below:—

	Brokerage and Fee Income 1982 £	%	1983 £	%	1984 £	%
Industrial and commercial clients	803,000	41	951,000	42	1,289,000	45
Professional firms	589,000	30	615,000	27	780,000	28
Housing associations, charities and water industry	288,000	14	335,000	15	363,000	13
Life and pensions	240,000	13	282,000	13	312,000	11
Personal	58,000	2	65,000	3	75,000	3
	1,998,000	100	2,248,000	100	2,792,000	100

Each of BBT's corporate and professional clients is assigned a specific team to deal with all aspects of its insurance requirements. The Directors believe that the foundation of BBT's successful growth has been the quality and personal nature of its service.

REINSURANCE BROKING — BRADSTOCK BLUNT & CRAWLEY

BBC was formed in 1963 and now undertakes all classes of reinsurance broking. Its clients comprise direct insurance companies, reinsurance companies and underwriting syndicates at Lloyd's. In 1984 BBC and its subsidiaries acted for over 250 clients.

The reinsurance market is both international and professional in character, with nearly all parties being known to each other directly or by reputation. London is a major centre for international reinsurance and includes Lloyd's, UK-based insurance and reinsurance companies and overseas companies. BBC is a registered Lloyd's broker and places a substantial volume of business at Lloyd's.

BBC specialises in Treaty business, which is split into two categories: Proportional and Non-Proportional. Proportional Treaties are contractual arrangements under which the reinsurers agree to accept a proportion of the reinsured's risk on the same terms as those originally received by the reinsured in return for a similar proportion of the premium. *Non-Proportional Treaties are contracts whereby reinsurers* agree to accept liability, with or without limit, in excess of a fixed amount of any loss sustained by the reinsured; the amount of premium payable to the reinsurers is a matter of negotiation.

BBC concentrates on Non-Proportional Treaty business which offers scope for originality and imagination by the broker in constructing reinsurance programmes for its clients. A major part of BBC's business involves the placement of original reinsurance, rather than retrocession business which is reinsurance of reinsurance.

Since the early 1960s BBC has also been active in the United States, an increasing source of business for BBC which it also regards as an important market for the placing of reinsurance. In 1981 Bradstock Inc., a Marine and Aviation reinsurance specialist based in New York, was formed. Bradstock Inc. has been increasingly successful in developing its business in the United States market. The gross brokerage generated in 1983 in the United States (excluding Bradstock Blanch which is referred to below) was some US$998,000 (representing 35 per cent. of BBC's total gross brokerage) and in 1984 was some US$1,413,000 (42 per cent.).

As part of its programme of expansion, BBC established a joint venture company in 1982 with E. W. Blanch, one of the largest United States reinsurance brokers. This company, Bradstock Blanch, specialises in placing North American Non-Marine reinsurance business in the London market. It has applied to become a Lloyd's broker in its own right.

The breakdown by class of the reinsurance broking business (excluding Bradstock Blanch) is set out below:—

	Brokerage and Fee Income 1982 £	%	1983 £	%	1984 £	%
Aviation	1,184,000	59	1,471,000	62	1,676,000	60
Non-Marine	558,000	27	555,000	24	692,000	25
Marine	288,000	14	320,000	14	422,000	15
	2,030,000	100	2,346,000	100	2,790,000	100

BBC's policy is to give all brokers experience in Marine, Non-Marine and Aviation markets under the control of a director who is a specialist. BBC does not operate on a departmental basis. The Directors believe that this gives their brokers flexibility and provides BBC with a distinct marketing advantage over many of its larger competitors.

REGULATORY BACKGROUND

All the insurance broking companies in the Group are enrolled under the Insurance Brokers (Registration) Act 1977 and are governed by the regulations issued under that Act. In addition, BBC and BBT as Lloyd's brokers are subject to the additional requirements of Lloyd's. Bradstock Inc. is registered with the New York State Insurance Department and is subject to local regulations.

As Lloyd's brokers, BBC and BBT are subject to, *inter alia*, sections 10 to 12 of Lloyd's Act 1982. In order that the Company and the Council of Lloyd's may exercise their responsibilities under Lloyd's Act 1982, the Company has undertaken to notify the Council of Lloyd's of all changes in the beneficial shareholders and/or shareholdings in BBC and BBT and the identity of all shareholders holding five per cent. *or more of the issued share capital of the Company.*

Prospective purchasers should note that the acquisition of any shares in the Company might bring them within the terms of sections 10 to 12 of Lloyd's Act 1982 if they already are, or subsequently become, connected with a Lloyd's *managing agent.*

MANAGEMENT AND EMPLOYEES

In the Spring of 1984 Robin Gibson (Managing Director of BBC and now Managing Director of the Group) and certain key executives (including the Chairman of BBC and the Chairman and the Managing Director of BBT) commenced discussions with a view to acquiring a controlling interest in the Group from its founder David Bradstock and his family. This acquisition was completed in June 1985. These executives have been primarily responsible for the development and expansion of the Group over the last 10 years. As part of the management buyout and the consequent reorganisation of the Company, six members of management were appointed to the Board on 19th June 1985. David Bradstock continues as Chairman of the Group.

The success of an insurance broking or reinsurance broking business depends to a large extent on the calibre and motivation of its personnel. Following the management buyout and the Offer for Sale, the Directors and their families will together own approximately 60 per cent. of the share capital of the Company. Other employees will own at least 13 per cent. of the Company's share capital. In addition, the Company has adopted an executive share option scheme, details of which are set out below in "General Information".

The total number of employees in the Group as at 31st March 1985 was 185, of whom 42 are directly involved in producing or placing business. The Group operates a final salary pension scheme for the benefit of employees and their dependants. The pension scheme is an exempt approved scheme under the provisions of the Finance Act 1970 and members are contracted-out of the State Earnings-Related Pension Scheme.

Brief details of the directors and senior management of the Group are set out below:—

THE BOARD

David Bradstock, 61, is the Chairman of the Group and has worked in the insurance industry since 1948. He was a

founder of the Group and, from 1967 up to the time of the management buyout, he and members of his family had a controlling interest in the Company.

Robin Gibson, 43, is Managing Director of the Group and Managing Director of BBC. He joined Willis, Faber & Dumas Limited as an aviation broker in 1965 and has worked in the insurance industry since then, joining the Group in 1972. He has been responsible for the development of BBC's interests in the United States and is also a major producer of reinsurance business, particularly aviation.

Peter Cresswell, 41, joined the Group in 1975 after a period of employment with the Institute of London Underwriters and subsequently Bland Payne Limited, where he became a director responsible for marine broking within its reinsurance business. He became a Director of BBC in 1976. He is currently responsible for the production of non-marine and marine reinsurance business and is Chairman of Bradstock Blanch.

Noel Hayden, 69, Group Finance Director, has worked in the insurance industry for 50 years and joined the Group in 1972 as Company Secretary. He is responsible for the supervision of all Group financial and administrative matters. The Group chief accountant, Peter Ballard, and the Group accountant, Richard Bax (who are responsible for the day to day financial control of the subsidiaries in the Group) and the Company Secretary, Rodney Jeffreys, (who is responsible for all Group administrative matters) report directly to him.

Eddie McGrath, 47, is the Managing Director of BBT. He joined the Group in 1974, after working for Commercial Union Assurance Company plc for 15 years, and was made a Director of BBT in that year. He is responsible for all aspects of the Group's direct broking operations.

Cyril Payne, FCII, 53, is Chairman of BBT. He joined the Group as a Director of BBT in 1965 having worked for Royal Insurance Plc for 15 years. He was Managing Director of BBT from 1968 to 1980, when he became joint Chairman with David Bradstock. He is responsible for a number of the largest clients of BBT as well as its general administration.

David Plunkett, 44, is Chairman of BBC. After working for ten years as a broker with Willis, Faber & Dumas Limited he joined the Group in 1970 and was appointed a Director of BBC in 1976. He was Managing Director of BBC from 1976 to 1983. His main role now is as a producer of all classes of business with particular emphasis on the development of new business.

SENIOR MANAGEMENT

Name	Prime Responsibility	Age	Joined the Group
Peter Ballard	Group Chief Accountant	47	1971
Richard Bax FCA	Group Accountant	35	1978
Guy Belcher	Director of BBC	44	1967
Billy Bennington ACII	Director of BB(NI)	31	1980
Peter Bentley	Director of BBC	50	1980
Robin Bradford ACII	Director of BBT	39	1968
Nick Bryce-Smith ACII	Director of BBT	43	1970
Jim Butler FIA	Director of BBT(L&P)	47	1973
Denis Campbell ACII	Director of BB (N)	39	1978
Gerald Cocks	Director of BBC	49	1978
John Cowlen	Managing Director of BB(NI)	46	1975
David Drew FCII	Director of BB(S)	40	1978
Tony Fox	Managing Director of Bradstock Blanch	30	1983
Nick Garbutt FCII	Director of BBT(L&P)	42	1972
David Hazelwell	Director of BBC	44	1974
David Hill ACII	Director of BBT	47	1982
David Huntington	Administration Director of BBC	46	1963
Rodney Jeffreys FCA	Company Secretary	38	1972
Don McKay FCII	Director of BBT	54	1964
Michael Morland	Director of BBC	44	1972
Eddie Rendell	Director of BBC	48	1963
Geoff Smith FIA	Managing Director of BBT(L&P)	51	1967
Frank Surplus	Director of BBT	45	1981
David Stratton	Director of BBC	42	1984

All the directors of the insurance broking companies of the Group are registered insurance brokers or, in the case of three recently appointed directors, have applied for registration under the Insurance Brokers (Registration) Act 1977.

FINANCIAL AND BUSINESS CONTROLS

The Group pays particular attention to its financial and business controls.

Management accounts are prepared monthly and brokerage and expenses are monitored closely against budgets. The quality of the Group's financial controls is reflected in its consistently low level of bad debts. BBC has a security committee which regularly reviews the financial standing of insurance and reinsurance companies with which it places clients' business. Its computer system prevents the issue of cover notes on behalf of companies which have not been approved by the security committee.

Neither BBC nor BBT place more than 7½ per cent. of the Group's business with any one insurance carrier and no client of BBC or BBT accounts for more than 7½ per cent. of the Group's total brokerage commission.

The Group currently places both dollar and sterling surplus cash on deposit in those respective currencies for appropriate periods. The Group closely monitors its dollar brokerage and takes appropriate action to protect itself against currency fluctuations.

FINANCIAL INFORMATION

Trading Results

Extracts from the consolidated profit and loss accounts for the five years ended 30th September 1984 and six months ended 31st March 1985 as shown in the Joint Accountants' Report are set out below:

	Year ended 30th September					Six months ended 31st March
	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000	1985 £000
Brokerage and Fee Income—						
Direct insurance broking	1,468	1,687	1,958	2,248	2,792	1,558
Reinsurance broking	1,384	1,640	2,030	2,346	2,790	1,868
	2,852	3,327	3,988	4,594	5,582	3,426
Operating expenses	(2,730)	(2,965)	(3,510)	(3,774)	(4,562)	(2,513)
	122	362	478	820	1,020	913
Net investment income	359	414	497	405	679	431
Share of results of associated companies	9	(3)	(5)	69	122	68
Exceptional items*	(264)	63	(125)	(230)	—	—
Profit before taxation	226	836	845	1,064	1,821	1,412
Taxation	(183)	(426)	(484)	(584)	(907)	(698)
Profit after taxation	43	410	361	480	914	714
Earnings per share†	0.3p	3.7p	3.2p	4.0p	7.6p	5.9p

* The exceptional items relate to the cost of a bonus to two directors, office relocation costs and the sale of a lease.
† Earnings per share have been calculated by dividing the profit on ordinary activities after taxation and minority interests by the weighted average number of shares in issue during each of the relevant years adjusted for the capitalisation issue in April 1982 and the two capitalisation issues and consolidation in June 1985.

The majority of the Group's income is brokerage (which represents a percentage of the premium charged for the insurance or reinsurance of a risk) from the insurers and reinsurers with whom it places business. The brokers' clients pay the agreed premium to the broker who deducts brokerage before passing the balance to the insurer or reinsurer.

BBT has grown, despite difficult market conditions, by increasing business both from existing clients and through gaining new accounts. BBC's increased brokerage and profits over the last five years reflect its success in generating and placing business for existing and new clients; in particular, the expansion of its activities in the United States since 1981 has contributed to recent growth.

Most of BBC's income is receivable in US dollars and BBC's results have benefited over the period from the increasing strength of the dollar. In 1984 some 85 per cent. of the Group's reinsurance brokerage income, amounting to some 43 per cent. of total brokerage income, was received in US dollars with the balance in sterling. The Group's direct brokerage income is receivable in sterling and accounted for some 50 per cent. of total brokerage income in 1984.

The growth in the Group's business has generated increased funds for investment and net investment income has increased accordingly over the period.

The charge for taxation reflects United Kingdom corporation tax, adjusted for disallowable expenditure, and, where appropriate, United States taxation at rates ruling during the period.

NET TANGIBLE ASSETS

The Group's net tangible assets attributable to shareholders as at 31st March 1985 as shown in the Joint Accountants' Report amounted to £2,625,000, equivalent to 22.8p per Ordinary Share based on the number of Ordinary Shares in issue at that date after adjusting for the two capitalisation issues and consolidation in June 1985.

PROFIT AND DIVIDEND FORECAST

On the basis of the audited accounts for the six months ended 31st March 1985, the unaudited management accounts for April 1985 and the assumptions set out in "Profit Forecast: Bases, Assumptions and Letters" below, the Directors forecast that, in the absence of unforeseen circumstances, the profit before taxation of the Group for the year ending 30th September 1985 will be not less than £2.6 million.

The majority of the Group's US dollar income for the current year has been sold forward thereby minimising the potential effect of currency fluctuations on the forecast earnings for the period.

In the absence of unforeseen circumstances, the Directors of the Company intend to recommend the payment of a final dividend of 3.5p in respect of the year ending 30th September 1985, which will be payable in April 1986.

If the Company's Ordinary Shares had been listed throughout the current year the Directors would have expected to recommend total dividends for the year of 5.25p (7.5p with associated tax credit) payable as to 1.75p as an interim dividend in October 1985 and as to 3.5p as a final dividend in April 1986. The Directors expect that, in future years, interim and final dividends will continue to be payable in October and April respectively.

The Directors do not intend to pay an interim dividend in respect of that year.

REASONS FOR THE OFFER

The Directors consider that the listing of the Ordinary Shares on The Stock Exchange will enhance the Group's status and will assist the Group in the continuing development and expansion of its business.

The Group has no present need for additional funds and will not receive any of the proceeds of this Offer for Sale. Of the Ordinary Shares being offered for sale, 2,246,460 have been sold to Kleinwort Benson by the existing shareholders of the Company of which 2,024,632 have been sold by the Directors and their families.

PROSPECTS

The markets in which the Group has been operating since 1981 have been extremely difficult due to the combined effects of the recession, depressed premium rates and fierce competition between brokers. The Group's success to date has been achieved against this background and the Directors believe that its depth and spread of business provide it with a secure base from which to continue to expand and to take advantage of the current hardening in rates.

Although the Group's results are affected by exchange rate fluctuations, the Directors believe that the size and strength of its direct broking operation gives the Group some protection from any adverse currency movements in the future.

The Directors believe that BBT's wide spread of clients, and in particular its strong contacts with industrial and commercial companies and professional firms, especially in the accountancy profession, mean that BBT is well placed to take advantage of the present improvement in market conditions. In addition, the Directors believe that BBT's emphasis on the development of new business and the quality and personal nature of its service provide substantial possibilities for expansion, particularly in the area of professional indemnity cover.

With regard to BBC, the Directors consider that the increase in both the size of insured risks and the exposure of insurers to the accumulation of risks will continue to be reflected in an expanding demand for reinsurance. The Directors consider that BBC's broad base of expertise, the length and depth of its client contacts and its particular emphasis on the development, marketing and placing of business, put BBC in a strong position from which to expand. Furthermore, BBC's expansion into the United States of America makes a substantial contribution to its operation, not only as a source of new business but, at times such as the present, as a market of considerable value and importance for placing reinsurance. The Directors believe that BBC's proven ability to place business, despite difficult market conditions, will continue to stand it in good stead.

The Directors look forward to the future with confidence and enthusiasm.

PROFIT FORECAST: BASES, ASSUMPTION AND LETTERS

1. Bases and Assumption

The profit forecast for the year ending 30th September 1985 set out under "Profit and Dividend Forecast" is based on:
(a) the audited accounts for the six months ended 31st March 1985;
(b) the unaudited management accounts of the Group for April 1985 together with a forecast for the remaining five months of the year.

The forecast assumes that there will be no significant change in the current levels of interest rates during the remainder of the financial year.

The Group has entered into forward sale contracts for the majority of the US dollar income which it expects to receive. Accordingly, the effect of any fluctuations in the US dollar/sterling exchange rate during the remaining part of the year will not be material to the forecast.

2. Letters Relating to the Profit Forecast

The following are copies of letters relating to the profit forecast for the year ending 30th September 1985:—

(a) Letter from the joint reporting accountants, Macnair Mason and Price Waterhouse

Macnair Mason
68 Houndsditch
London EC3A 7EU

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

The Directors
Bradstock Group PLC
and
The Directors
Kleinwort, Benson Limited

25th June 1985

Gentlemen,

We have reviewed the accounting policies and calculations for the profit forecast for the year ending 30th September 1985 of Bradstock Group PLC and its subsidiaries (for which the Directors are solely responsible) set out under "Profit and Dividend Forecast" in the prospectus dated 25th June 1985. The forecast includes the audited results for the six months ended 31st March 1985 and the results shown by the unaudited management accounts for April 1985.

In our opinion the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumption made by the Directors set out in the prospectus and is presented on a basis consistent with the accounting policies normally adopted by Bradstock Group PLC and its subsidiaries.

Yours faithfully,

Macnair Mason
Chartered Accountants

Price Waterhouse
Chartered Accountants

(b) Letter from Kleinwort, Benson Limited

The Directors
Bradstock Group PLC

20 Fenchurch Street
London EC3P 3DB
25th June 1985

Gentlemen,

We have discussed with you, Macnair Mason and Price Waterhouse the forecast of profit before tax of Bradstock Group PLC and its subsidiaries for the year ending 30th September 1985, as set out in the prospectus dated 25th June 1985. We consider that the profit forecast, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for Kleinwort, Benson Limited
T. H. Holland-Bosworth
Director

JOINT ACCOUNTANTS' REPORT

The following is a copy of a joint report received from Macnair Mason, the auditors and joint reporting accountants, and Price Waterhouse, joint reporting accountants.

Macnair Mason
68 Houndsditch
London EC3A 7EU

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

The Directors
Bradstock Group PLC
and
The Directors
Kleinwort, Benson Limited

25th June 1985

Gentlemen,

We have examined the audited financial statements of Bradstock Group PLC (the "Company" and its subsidiaries, together referred to as the "Group") for the five years ended 30th September 1984 and for the six months ended 31st March 1985.

On 25th June 1985 the Company sold its 100% interest in Clanville Lodge Stud Limited, a subsidiary company. The financial information set out below is presented as if this company had been an investment throughout the period and its results and source and application of funds have been excluded.

During the period the Company has acquired the minority interests in certain subsidiaries for consideration comprising partly cash and partly shares. The financial effects of these acquisitions have been accounted for in the years in which they arose and no retrospective adjustment of profit attributable to the shareholders has been made.

In our opinion the financial information set out below, which is based on the audited financial statements after making such adjustments as we consider appropriate, gives a true and fair view of the profit and source and application of funds of the Group for each of the periods and of the state of affairs of the Group at the dates stated.

1 Accounting policies

The principal accounting policies applied in determining the financial information set out in this report are as follows:

(1) Accounting convention
The financial statements have been prepared under the historical cost convention.

(2) Basis of consolidation
The accounts of the Group include those of the Company, its subsidiaries and the Group's share of the results of its associated company. The investment in the associated company is shown as the Group's share of the net tangible assets. The cost of goodwill, being the premium on acquisition of shares in subsidiaries and the associated company, is written off to reserves as it arises.

(3) Turnover
Turnover represents retained brokerage and fee income. The Group takes credit for this income when the client is debited.

(4) Other income
Interest and other sundry investment income is dealt with on a receivable basis.

(5) Foreign currencies
Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of each accounting period. The results of the overseas subsidiary are translated to sterling at the rates of exchange ruling at the end of each such period and differences arising from the re-translation of the opening net asset position are dealt with through reserves. Exchange profits and losses on trading transactions are dealt with in the profit and loss account.

(6) Tangible fixed assets
Depreciation is provided on a straight line basis at the following rates per annum:
Office equipment 20-25 per cent.
Motor vehicles 25 per cent.

(7) Deferred taxation
Provision is made for deferred taxation in respect of the excess of capital allowances given for tax purposes over depreciation and for other timing differences, except to the extent that such taxation is not likely to be payable in the foreseeable future.

2. Profit and loss accounts

The profit and loss accounts for the Group for the five years ended 30th September 1984 and for the six months ended 31st March 1985 are set out below:

	Notes	Year ended 30th September					Six months ended 31st March
		1980 £000	1981 £000	1982 £000	1983 £000	1984 £000	1985 £000
Turnover	(1)(2)	2,852	3,327	3,988	4,594	5,582	3,426
Operating expenses	(3)	(2,730)	(2,965)	(3,510)	(3,774)	(4,562)	(2,513)
		122	362	478	820	1,020	913
Net investment income	(4)	359	414	497	405	679	431
Share of results of associated companies		9	(3)	(5)	69	122	68
Profit before exceptional items		490	773	970	1,294	1,821	1,412
Exceptional items	(5)	(264)	63	(125)	(230)	—	—
Profit before taxation	(6)	226	836	845	1,064	1,821	1,412
Taxation	(7)	(183)	(426)	(484)	(584)	(907)	(698)
Profit after taxation		43	410	361	480	914	714
Minority interests	(8)	(15)	(59)	(43)	(16)	(36)	(33)
Profit after taxation and minority interests		28	351	318	464	878	681
Extraordinary item	(9)	—	—	—	—	101	28
Retained profit		28	351	318	464	979	709
Earnings per share	(10)	0.3p	3.7p	3.2p	4.0p	7.6p	5.9p

Notes:

(1) Analysis of turnover by activity

Direct insurance broking	1,468	1,687	1,958	2,248	2,792	1,558
Reinsurance broking	1,384	1,640	2,030	2,346	2,790	1,868
	2,852	3,327	3,988	4,594	5,582	3,426

(2) Analysis of turnover by territory

United Kingdom offices	2,852	3,327	3,900	4,429	5,227	3,182
United States office	—	—	88	165	355	244
	2,852	3,327	3,988	4,594	5,582	3,426

The above analysis is based on the location of offices and does not necessarily represent the source or currency of business.

(3) Operating expenses
Operating expenses include the following items:

Depreciation	65	94	114	133	168	100
Directors' remuneration	274	306	312	372	328	280
Auditors' remuneration	29	31	33	34	36	32
Contribution to Employees Trust	10	65	30	50	50	10
Employment costs	1,154	1,364	1,518	1,714	1,982	1,083

(4) Net investment income

Interest receivable	558	594	676	542	817	513
Interest payable on bank and other borrowings repayable within 5 years	(226)	(208)	(203)	(161)	(160)	(90)
Investment income	27	28	24	24	22	8
	359	414	497	405	679	431

(5) Exceptional items (charged)/credited

Bonus to directors	(100)	—	(125)	—	—	—
Surplus on sale of lease	—	63	—	—	—	—
Relocation costs	(164)	—	—	(230)	—	—
	(264)	63	(125)	(230)	—	—

(6) Analysis of profit before taxation

Direct insurance broking	115	353	349	532	790	491
Reinsurance broking	111	483	496	532	1,031	921
	226	836	845	1,064	1,821	1,412

The above analysis is after allocating central expenses.

(7) Taxation

United Kingdom Corporation tax	180	406	503	566	758	533
Deferred tax	(1)	20	(19)	(14)	56	65
Overseas tax	—	—	—	4	38	70
Share of associated companies	4	—	—	28	55	30
	183	426	484	584	907	698

(8) Minority Interests
On 13th October 1980 the Company acquired half of the 49 per cent. minority interest in Bradstock Blunt & Crawley Limited for a cash consideration of £864,000. The attributable goodwill amounting to £465,000, representing the excess of consideration over tangible net assets acquired, was written off against reserves. On 28th July 1982, the remaining minority interest was acquired, in consideration for the issue of 345,320 ordinary shares of 1p each in the Company and the payment of £564,000 in cash. The goodwill arising of £382,000 has been written off against reserves. The shares issued by the Company were recorded at their nominal value as permitted under section 37 of the Companies Act 1981.

Subsequent to 31st March 1985, the remaining minority interests in subsidiary companies have been acquired in consideration for the issue on 19th June 1985 of 364,755 ordinary shares of 1p each in the Company and the payment of £185,189 in cash. The goodwill arising, totalling approximately £135,000, will be written off to reserves.

(9) Extraordinary item

Profit on sale of investments	141	40
Less taxation	(40)	(12)
	101	28

The profit on sale of investments in the year ended 30th September 1984 relates to the disposal of the Group's interest in a managing agency, Bradstock, Barker & Ashley (Underwriting Agencies) Limited, in order to comply with the requirements of Lloyd's Act 1982. The profit in the period ended 31st March 1985 relates to the disposal of the Group's interest in Servicio Tecnico Intercontinental SA de CV. The income of these operations throughout the above period, which are included in the Group's profit and loss accounts prior to their disposal, totalled £21,000.

(10) Earnings per share
Earnings per share have been calculated by dividing the profit on ordinary activities after taxation and minority interests by the weighted average number of shares in issue during each of the periods, adjusted for the capitalisation issue on 2nd April 1982 and the capitalisation issue and consolidation in June 1985.

3 Statements of source and application of funds

	Year ended 30th September					Six months ended 31st March
	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000	1985 £000
Sources of funds						
Profit before taxation	226	836	845	1,064	1,821	1,412
Adjustment for items not involving the movement of funds:						
Share of (profit)/loss of associated companies	(9)	3	5	(69)	(122)	(68)
Depreciation	95	94	114	133	162	100
Surplus on sale of fixed assets	(2)	(5)	(5)	(13)	(20)	(7)
Fixed assets written off	38	—	1	—	—	—
Other movements	—	5	—	1	6	—
	123	97	115	52	36	25
	349	933	960	1,116	1,847	1,437
Funds from other sources						
Proceeds from disposals of fixed assets	24	62	41	35	103	59
	373	995	1,001	1,151	1,950	1,496
Applications of funds						
Purchase of fixed assets	(120)	(182)	(188)	(191)	(500)	(160)
Net (increase)/decrease in loans to and investment in associated companies	(87)	(13)	(66)	(52)	147	—
Taxation paid	(440)	(10)	(187)	(435)	(414)	(30)
(Increase)/decrease in investments	(41)	7	(6)	25	(6)	102
Cost of acquisition of minority interests in subsidiary and associated companies	—	(601)	(579)	—	—	—
	(688)	(809)	(1,052)	(658)	(773)	(88)
	(315)	186	(51)	493	1,177	1,408
Increase/(decrease) in net working capital						
Debtors	251	532	221	467	2,050	2,651
Creditors	(326)	(1,836)	433	(2,652)	(3,089)	(2,339)
Cash at bank	(252)	1,480	(727)	2,714	2,301	1,093
Bank overdrafts	15	10	22	4	(135)	—
	(315)	186	(51)	493	1,177	1,408

4. Balance sheets

The balance sheets of the Group as at 30th September 1980 to 1984 and as at 31st March 1985 are set out below:

	Notes	As at 30th September					As at 31st March
		1980 £000	1981 £000	1982 £000	1983 £000	1984 £000	1985 £000
Fixed assets							
Tangible assets	(1)	276	316	335	371	[illegible]	[illegible]
Investments	(2)	570	620	677	739	[illegible]	[illegible]
		846	936	1,012	1,110	1,402	[illegible]
Current assets							
Debtors	(3)	10,173	10,635	10,826	11,330	[illegible]	[illegible]
Cash at bank	(4)	2,991	4,471	3,744	6,458	8,779	[illegible]
		13,164	15,106	14,570	17,788	22,166	25,905
Creditors: amounts falling due within one year	(5)	(11,534)	(13,823)	(13,541)	(16,294)	(19,763)	(22,140)
Net current assets		1,630	1,283	1,029	1,494	2,403	3,769
Total assets less current liabilities		2,476	2,219	2,041	2,604	3,805	5,157
Creditors: amounts falling due after one year	(6)	(1,393)	(1,360)	(1,539)	(1,678)	(1,758)	(2,303)
Deferred taxation	(7)	(27)	(47)	(27)	(12)	(68)	(133)
		1,056	812	475	914	1,979	2,721
Capital and reserves:							
Share capital	(8)	1	1	19	19	19	19
Share premium account	(9)	180	180	165	165	165	165
Retained profits	(10)	621	453	284	706	1,732	2,441
		802	634	468	890	1,916	2,625
Minority interest		254	178	7	24	63	96
		1,056	812	475	914	1,979	2,721

Notes

(1) Tangible assets

Freehold property	46	46	46	46	46	[illegible]
Office equipment	77	92	97	105	250	[illegible]
Motor vehicles	153	178	192	220	312	[illegible]
	276	316	335	371	[illegible]	[illegible]

Subsequent to 31st March 1985, the freehold property has been disposed of, based on a professional valuation, to D. F. Bradstock for £240,000 in cash resulting in an extraordinary profit after taxation of £130,000.

(2) Investments

Investment in associated companies	8	10	78	105	176	227
Other investments	181	174	183	164	164	165
Investment in subsidiaries and associated companies not forming part of the continuing group	381	436	416	470	434	360
	570	620	677	739	774	752

Subsequent to 31st March 1985 the investment in Clanville Lodge Stud Limited has been sold to D. F. Bradstock and P. M. Bradstock for £350,000, based on a professional valuation.

The Group has sold its holding in Bradstock & Barker (Underwriting Agencies) Limited ("B&B"), a Lloyd's members agent, to D. F. Bradstock for £10,585 paid on 25th June 1985. Further consideration of £52,925 will only be payable on receipt of confirmation by The Council of Lloyd's that B&B will be re-registered as a Lloyd's members agent on acceptable terms.

(3) Debtors

	As at 31st March 1985 £000
Trade debtors	14,826
Amounts owed by associated companies	384
Prepayments and accrued income	809
Other debtors	19
	16,038

Prepayments and accrued income at 31st March 1985 include the proceeds of the sale of Bradstock, Barker & Ashley (Underwriting Agencies) Limited, which was sold in May 1984, amounting to £147,000 receivable on 31st December 1985.

(4) Cash at bank
Cash at bank of the Group includes £9,650,000 held in connection with insurance broking bank accounts which are subject to the requirements of the Insurance Brokers Registration Council. These include certain US dollar business balances amounting to the equivalent of £1,586,813 which are held in compliance with the requirements of the Corporation of Lloyd's and are subject to a charge in favour of a trustee for insurance broking creditors.

(5) Creditors: amounts falling due within one year

	As at 31st March 1985 £000
Trade creditors	20,776
Bank overdraft	94
Corporation tax	795
Other taxes and social security	141
Accruals	334
	22,140

(6) Creditors: amounts falling due after one year

Bank loan	1,250
Corporation tax	1,053
	2,303

The bank loan is repayable on forty-two months' notice and is secured on the assets and undertaking of the Company.

(7) Deferred taxation

Capital allowances	77
Other timing differences	56
	133

The above also represents the full potential amount of deferred taxation as at 31st March 1985.

(8) Share capital

The movement in share capital from 1st October 1979 to 25th June 1985 has been as follows:

	£'000
Share capital on 1st October 1979 and on 30th September 1980 and 1981	1
Capitalisation issue on 2nd April 1982	15
Issue of shares on acquisition of minority interest on 26th July 1982	3
Share capital on 30th September 1982, 1983, 1984 and on 31st March 1985	19

Subsequent to 31st March 1985 the share capital of the Company has been increased due to the following capitalisation and acquisition issues:

	£'000
Share capital as at 31st March 1985	19
Capitalisation issue of 4 shares for every 1 share held	77
Issue of shares and acquisition of minority interest	4
Capitalisation issue of 5 shares for every 1 share held	500
Share capital at the date of this Report	600

(9) Share premium account

The movement in the share premium account during the period from 1st October 1979 to 25th June 1985 has been as follows:

	£'000
Share premium at 1st October 1979 and on 30th September 1980 and 1981	180
Capitalisation issue on 2nd April 1982	(15)
Share premium at 30th September 1982, 1983, 1984 and as at 31st March 1985	165

Subsequent to 31st March 1985, the share premium account has been utilised as set out below:

	£'000
Share premium as at 31st March 1985	165
Capitalisation issue of 4 shares for every 1 share held	(77)
Capitalisation issue of 5 shares for every 1 share held	(88)

On 19th June 1985, 34,975 Ordinary Shares of 1p were issued resulting in a share premium of £35,234.

	Year ended 30th September					Six months ended 31st March
	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	1985 £'000
(10) Retained profits						
Opening retained profits	538	621	453	284	706	1,732
Profit and loss account for the year	28	351	318	464	979	709
Goodwill written off on acquisitions of minority interests in subsidiary and associated companies	—	(465)	(382)	(24)	—	—
Goodwill written off on acquisition of insurance business	—	—	(15)	—	—	—
Other movements	—	(5)	(23)	—	4	—
Increase/(decrease) in subsidiary not forming part of the continuing business	55	(49)	(68)	(18)	43	—
Closing retained profits	621	453	284	706	1,732	2,441

The results for the above periods of Clanville Lodge Stud Limited, a 100 per cent. subsidiary, which was disposed of on 25th June 1985, have been eliminated from the profit and loss account and taken directly to reserves.

The retained profit attributable to the holding company amounted to £120,000 as at 31st March 1985. Subsequent to 31st March 1985, the Company has received dividends from subsidiary companies totalling £1,490,000 and capitalised £412,000 of its reserves.

(11) Contingent liabilities

The Group has given guarantees and counter-indemnities in respect of the underwriting membership of Lloyd's on behalf of employees (including one ex-employee) amounting to £225,000 at 31st March 1985. In no case does the contingent liability under any one guarantee or indemnity exceed £37,500.

Yours faithfully,

Macnair Mason, *Chartered Accountants*

Price Waterhouse, *Chartered Accountants*

GENERAL INFORMATION

1. Audited Accounts

The financial information contained in the Joint Accountants' Report does not amount to full accounts as defined by section 11(5) of the Companies Act 1981. Full Group accounts for the financial years from 1st October 1979 to 30th September 1984, have been delivered to the Registrar of Companies and Macnair Mason, Chartered Accountants, have made reports on them under section 14 of the Companies Act 1967. Each report was an unqualified report within the meaning of section 43 of the Companies Act 1980.

2. Share Capital

The Company was incorporated in England under the Companies Act 1948 on 15th December 1959 (registration number 644563) as a private company under the name Block Holdings Limited with an authorised and fully paid share capital of £100 divided into 100 shares of £1 each. On 21st June 1985 the Company was re-registered under the Companies Act 1980 as a public limited company and its name was changed to Bradstock Group Public Limited Company.

At 25th June 1982, the authorised share capital of the Company was £20,000 divided into 2,000,000 ordinary shares of 1p each, of which 1,573,380 were issued fully paid. Changes to the authorised and issued share capital of the Company since that date were as follows:—

(a) On 26th July, 1982 345,320 ordinary shares of 1p each were allotted and issued, credited as fully paid, in exchange for 11,759 ordinary shares of £1 each and 11,759 deferred shares of £1 each in BBC.

(b) On 19th June 1985:
- (i) the authorised share capital of the Company was increased to £750,000 by the creation of 73,000,000 new ordinary shares of 1p each,
- (ii) 7,674,800 ordinary shares of 1p each were allotted (credited as fully paid) by way of capitalisation of the sum of £76,748 standing to the credit of the share premium account of the Company, pro rata to the holders of ordinary shares of 1p each in existence immediately prior to the passing of the resolution to capitalise such sum;
- (iii) 199,865 ordinary shares of 1p each were allotted and issued credited as fully paid to D. M. Stratton in exchange for his 49 per cent. shareholding in Bradstock & Stratton Limited;
- (iv) 164,890 ordinary shares of 1p each were allotted and issued credited as fully paid to M. H. Morland in exchange for his 15.3 per cent. shareholding in Bradstock Inc;
- (v) 34,975 ordinary shares of 1p each were allotted and issued to M. H. Morland for cash at an aggregate subscription price of £35,585;
- (vi) the Directors were, in accordance with section 14 of the Companies Act 1980, authorised generally to exercise the powers of the Company to allot relevant securities (as defined in that section) up to the amount of the authorised but unissued share capital of the Company, such authority expiring on 18th June 1990;
- (vii) the Directors were empowered, pursuant to section 18 of the Companies Act 1980, to allot for cash consideration equity securities (as defined in section 17 of that Act) pursuant to the authority referred to in sub-paragraph (vi) above as if section 17(1) of that Act did not apply to the allotment; this power expires on the date of the Company's Annual General Meeting to be held in 1986 and is limited to:—
  - (aa) allotments in connection with rights issues; and
  - (bb) the allotment (otherwise than pursuant to (aa) above) of a maximum of 5 per cent. of the nominal amount of the authorised share capital of the Company as increased under sub-paragraph (b)(i) above, being £37,500; and
- (viii) the adoption of the Executive Share Option Scheme of the Company was ratified and then the Scheme was amended.

(c) On 24th June 1985:
- (i) every 5 of the existing issued and unissued ordinary shares of 1p each of the authorised capital of the Company was consolidated into one Ordinary Share of 5p;
- (ii) 9,993,230 Ordinary Shares were allotted (credited as fully paid) by way of capitalisation of the sum of £88,524 standing to the credit of the share premium account and £411,137.50 standing to the credit of reserves of the Company, pro rata to the holders of Ordinary Shares in the capital of the Company in existence immediately prior to the passing of the resolution to capitalise such sum.

Save as disclosed above and in paragraphs 4 and 9 below and save for intra-Group issues, within the three years preceding the date of this prospectus:—
- (I) there has been no alteration in the issued share capital of the Company or of any of its subsidiaries;
- (II) no share loan capital of the Company or of any of its subsidiaries is under option or has been agreed conditionally or unconditionally to be put under option nor has been issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
- (III) no commissions, bokerages or other special terms have within the same three year period been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital.

3. Subsidiaries and Associated Company

Details of the Company's principal subsidiaries (all of which are wholly owned) and of its associated company are given below:—

NAME	DATE AND COUNTRY OF INCORPORATION	ISSUED AND FULLY PAID SHARE CAPITAL	REGISTERED OFFICE	PRINCIPAL ACTIVITY
Subsidiaries				
Bradstock Plunket & Crawley Limited	Dec 1959 England	£11,918	5b Wardrobe Place, London EC4V 5ED	Intermediate Holding and Management Company
Bradstock, Blunt & Thompson Limited	May 1971 England	£10,000	5b Wardrobe Place, London EC4V 5ED	Direct Insurance Broking
Bradstock Blunt & Crawley Limited	Apr 1963 England	£144,000	5b Wardrobe Place, London EC4V 5ED	Reinsurance Broking
Bradstock, Blunt & Thompson (L&P) Limited	Apr 1963 England	£110,000	5b Wardrobe Place, London EC4V 5ED	Direct Insurance Broking
Bradstock Blunt (Northern) Limited	Feb 1975 England	£10,000	5b Wardrobe Place, London EC4V 5ED	Direct Insurance Broking
Bradstock Blunt (Scotland) Limited	Sep 1978 Scotland	£20,000	6th Floor, 121 St. Vincent St., Glasgow G2 5HW	Direct Insurance Broking
Bradstock Blunt (N.I.) Limited	Jul 1979 N. Ireland	£1,000	7 Linenhall St., Belfast BT2 8AA	Direct Insurance Broking
Bradstock, Incorporated	Apr 1981 USA—New York	US$37,500	Suite 3012, 120 Broadway, New York 10271 USA	Reinsurance Broking
Bradstock Blunt (Plastics) Limited	Dec 1979 England	£1,000	5b Wardrobe Place, London EC4V 5ED	Insurance Agents
Bradstock & Stratton Limited	Aug 1983 England	£1,000	5b Wardrobe Place, London EC4V 5ED	Insurance Consultants
Associate				
Bradstock Blanch Limited	Dec 1981 England	£200,000	5b Wardrobe Place, London EC4V 5ED	Reinsurance Broking

At 31st March 1985 the Company owed Bradstock Plunket & Crawley Limited £1,104,745.

The Company owns 40 per cent. of the issued share capital of Bradstock Blanch Limited, holds 51 per cent. of the voting power in general meeting of that company, but does not control the composition of its board of directors.

4. Executive Share Option Scheme and Employees' Trust

(A) The Company has adopted an Executive Share Option Scheme (the "Option Scheme"), which has been approved by the Board of Inland Revenue under the provisions of the Finance Act 1984.

All full-time employees (including executive directors) of the Company and its subsidiaries are eligible to be nominated for participation in the Option Scheme. The directors have a discretion in selecting employees to whom options are to be granted and in determining the number (subject to the limitations set out below) and terms of options to be so granted. No option may be granted after 29th May 1995. No more than 1,199,186 Ordinary Shares may be put under option under the Scheme although this number may be adjusted in the event of capital reorganisation.

Options so granted will be for a period of 10 years and will entitle the recipient to subscribe for Ordinary Shares in the Company at a price determined by the directors, being not less than the higher of (i) the market value of such shares (as agreed with the Inland Revenue) on the date of grant of the options and (ii) their nominal amount. Each individual's participation will be limited so that the aggregate price of all shares issued and remaining issuable under options granted to him will not exceed four times the relevant individual's salary.

An option will normally be exercisable only after the expiry of three years from the date of its grant. Options may, however, be exercised earlier than this in the event of death, or (at the discretion of the directors) retirement by reason of injury, disability, redundancy, retirement before normal retirement age, or if the company employing the employee ceases to be a member of the Group. Options are not transferable and will lapse if an option holder leaves the service of the Group otherwise than in the circumstances referred to above. Options are also exercisable in the event of winding-up or liquidation of the Company.

Within 30 days of the exercise of an option, Ordinary Shares will be allotted and issued to the option holder concerned and such shares will rank (subject to dividend and other entitlements arising by reference to a date prior to their issue) pari passu with the Ordinary Shares of the Company then in issue. An application will be made to the Council of The Stock Exchange for the admission of the shares so allotted to the Official List.

Immediately following publication of this prospectus up to 3.2 per cent. of the issued Ordinary Share capital will be made available for options under the Scheme. About 30 senior employees will be offered options in amounts not exceeding four times their salary at the time of the Offer for Sale.

Certain provisions of the Option Scheme may be amended by the directors but the material terms (including the persons eligible to participate and the circumstances in which exercise may be made) cannot be altered without the prior consent of the Company in general meeting and the Inland Revenue.

(B) In 1978 the Company established an Employees' Trust, funded by the Group, principally in order to facilitate the purchase and sale of shares in the Company whilst it was a private company. It now holds 2.6 per cent. of the issued share capital of the Company.

The Trustees are not permitted in any year to accept payments from the Group in excess of 5 per cent. of the pre-tax profits of the Group for that year.

5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of a holding company, the business of insurance and reinsurance broking and the provision of management and administrative services. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 16 below.

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:—

(a) Dividends and Distributions of Assets on Liquidation
- (i) The holders of Ordinary Shares are entitled to the profits of the Company available for dividend and resolved to be distributed in proportion to the amount paid up on the shares in respect of which the dividend is declared.
- (ii) On a winding up the balance of assets available for distribution shall be applied in repaying to the holders of Ordinary Shares the amounts paid up on such shares and any surplus assets will belong to the holders of Ordinary Shares according to the respective number of shares held by them.

(b) Voting

Subject to any special terms as to voting upon which any shares may have been issued, or may for the time being be held, on a show of hands every member present in person, or being a corporation present by a duly authorised representative, shall have one vote and on a poll every member present in person, by representative or by proxy shall have one vote for each share of which he is the holder, save that a member shall not be entitled to exercise such right to vote if he, or any person appearing to be interested in shares held by him, has been duly served with a notice under section 74 of the Companies Act 1981 (requiring disclosure of interests of shares) and has failed to comply with such notice or has made a statement in reply which is false or misleading in a material particular and the Company has served on the member and has not withdrawn a disenfranchisement notice.

(c) Modification of Rights and Alteration of Capital
- (i) All or any of the rights or privileges attached or belonging to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Companies Acts 1948 to 1983, be modified, affected, varied, extended or surrendered in any manner with the sanction of an extraordinary resolution passed at a separate meeting of the members of that class. To any such separate meeting all the provisions of the Articles in relation to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be members of the class holding or representing by proxy one-third of the capital paid or credited as paid on the issued shares of the class, or at an adjourned meeting shall be any holder of shares of the class.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.
- (iii) The Company may, subject to the provisions of the Companies Acts 1948 to 1983, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

(d) Transferability

The Ordinary Shares are in registered form. The directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they do not approve, and they may also decline to register the transfer of a share on which the Company has a lien. The instrument of transfer of a share may be in any usual or common form or in such other form as the board shall approve, shall be signed, and shall be executed by or on behalf of the transferor, and, unless the share is fully paid, by or on behalf of the transferee. There are no other restrictions in the Articles on free transferability of Ordinary Shares.

(e) Unclaimed Dividends

All dividends unclaimed one year after being declared or resolved to be paid may be invested by the directors for the benefit of the Company until claimed and are forfeited if unclaimed after 12 years.

(f) Borrowing Powers

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities. The board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control of the Company in respect of its subsidiaries so as to ensure that the aggregate amount for the time being outstanding in respect of the moneys borrowed or secured by the Group (exclusive of intra-Group borrowings) shall not at any time, without the previous sanction of the Company in general meeting, exceed an amount equal to the greater of (i) 3 times the aggregate from time to time of the amount paid up on the issued share capital of the Company and the amounts standing to the credit of the capital and revenue reserves of the Company and its subsidiaries calculated and adjusted as provided in the Articles; and (ii) £9,000,000.

(g) Directors
- (i) A director is not required to hold any qualification shares. A director is required to retire at the annual general meeting commencing next after he attains the age of seventy years but is eligible for re-appointment.
- (ii) The remuneration of the directors is to be determined by the Company in general meeting and (unless otherwise determined) divided amongst the directors as the board agrees and failing agreement equally. The directors are also entitled to be repaid all travelling and hotel expenses incurred by them respectively in or about the performance of their duties as directors. If by arrangement with the board any director performs any special duties outside his ordinary duties as a director, the board may pay him special remuneration (in addition to any fees or ordinary remuneration) which may be by way of a lump sum, salary, commission, participation in profits or otherwise.
- (iii) The board may establish and maintain any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were employees of any company in, or associated with, the Group or who are or were directors or officers of any such company and who hold or have held any salaried employment or office in such company, and the families and dependants of any such persons.
- (iv) A director may be appointed by the board to the office of Managing Director and/or any other office or place of profit under the Company (except that of Auditor) for such period, on such terms and at such remuneration as the board may determine.
- (v) No director or intending director is disqualified by his office from contracting with the Company nor is any contract or arrangement entered into on behalf of the Company in which any director is in any way interested, liable to be avoided nor is any director so contracting or being so interested liable to account to the Company for any profit realised thereby, but the nature of his interest must be declared by the director at a meeting of the board.
- (vi) Save as provided below, a director may not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director will not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.
- (vii) A director is (in the absence of some other material interest than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
  - (aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
  - (dd) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him within the meaning of section 64 of the Companies Act 1980) is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;
  - (ee) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes;
  - (ff) any proposal concerning the adoption, modification or operation of an employees' share scheme (within the meaning of section 87(1) of the Companies Act 1980) under which he may benefit and which has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes or which relates both to directors and employees and does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom such scheme relates.
- (viii) The Company may by ordinary resolution suspend or relax the provisions summarised under paragraphs (v), (vi), and (vii) above to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

6. Directors' and Other Interests

(A) Following this Offer for Sale, the interests of the Directors and their families in the issued share capital of the Company as recorded in the Register of Directors' Interests maintained under the provisions of the Companies Act 1967 (as amended) will be as follows:—

	No. of Ordinary Shares			
	Beneficial	%	As Trustees	%
D. F. Bradstock	—	—	—	—
R. E. G. Gibson	1,478,561	12.3	225,000	1.9
P. W. J. Cresswell	1,488,275	12.4	57,000	0.5
N. R. Hayden	—	—	302,626	2.5
E. B. McGrath	695,635	5.8	—	—
C. Payne	220,018	1.8	—	—
O. D. Plunkett	1,485,002	12.3	115,116	1.0

N. R. Hayden will be applying for 10,000 Ordinary Shares in the Offer for Sale.

Save as disclosed above, no Director is interested in any shares of the Company or of any of its subsidiaries.

O. D. Plunkett, P. W. J. Cresswell and R. E. G. Gibson are each the beneficial owners of 4,000 non voting shares of £1 each in Bradstock Blanch Limited, amounting in aggregate to 6 per cent. of the issued share capital of that company.

(B) Save as aforesaid, the Directors are not aware of any shareholding which, following this Offer for Sale, will represent five per cent. or more of the Company's issued share capital or of any other persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

(C) In relation to the underwriting membership of Lloyd's of N. R. Hayden and E. B. McGrath the Group has given a counter-indemnity in respect of a bank guarantee amounting to £35,000 and made a deposit with the Corporation of Lloyd's of £17,500 respectively. There are no outstanding loans granted by any member of the Group to any of the Directors, nor any other guarantees provided by any member of the Group for their benefit.

(D) Save as disclosed in paragraph 10 below no Director has any interest in any transaction which is of an unusual nature, contains unusual terms or which is significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

(E) There are no arrangements in existence under which future dividends have been waived or agreed to be waived by Directors or their families.

(F) R. E. G. Gibson and O. D. Plunkett own the entire issued share capital of Compare Insurance Brokers Limited, a registered insurance broking company operating a motor broking business in Banbury. The shares of Compare Insurance Brokers Limited are under option to the Company for a period of seven years from 24th June 1985 at market value to be independently determined.

7. Directors' Service Agreements

(A) There are no existing or proposed service agreements for Directors which are not determinable by the employing company within one year without payment of compensation (other than statutory compensation) save for the following:—

Name	Salary £
D. F. Bradstock	125,000
R. E. G. Gibson	75,000
P. W. J. Cresswell	75,000
E. B. McGrath	68,000
O. D. Plunkett	75,000

D. F. Bradstock's salary will increase to £145,000 per annum in 1986 and £160,000 per annum in 1987.

All of the above agreements are with the Company and commenced with effect from 1st June 1985 in the case of D. F. Bradstock and from 28th June 1985 in the case of the other Directors. They are for a minimum period of 3 years and thereafter subject to termination by 6 months' written notice by either party.

C. Payne has a service agreement with BBT, dated 25th January 1972, and amended on 28th November 1984, which provides for a present salary of £68,000 and for determination by either party on giving 30 months' written notice.

(B) The aggregate remuneration and benefits in kind granted to the Directors during the year ended 30th September 1984 amounted to £528,000 and are estimated to amount to £592,000 during the year ending 30th September 1985.

(C) D. F. Bradstock has waived £50,000 of his emoluments in the year to 30th September 1984 and £33,333 from such date to 31st May 1985; there is no other arrangement under which a Director has agreed to waive future emoluments nor have there been any other waivers of such emoluments during the past financial year.

8. Principal Establishments

Leasehold Properties: Location	Expiry date	Next rent review date	Rental per annum	Approximate area in square feet
7th Floor, The Memorial Building, 56/59 Fenchurch Street, London EC3R 7JP.	Dec 1999	Dec 1989	£110,000	5,500
8th Floor, The Memorial Building, 56/59 Fenchurch Street, London EC3R 7JP.	Jan 1989	N/A	£56,435	2,900
5b Wardrobe Place, London EC4V 5ED.	Sep 1993	Sep 1988	£67,500	9,200
Hinde House, 25 Regent St., Nottingham, NG1 5BS	Mar 2009	Mar 1989	£13,500	3,600
4th Floor (& Part 3rd) Princess Caroline House, 1 High Street, Southend-on-Sea, Essex SS1 1JE	Dec 2007	Dec 1987	£14,315	4,100

9. Offer for Sale Arrangements

(A) Under an agreement ("the Offer for Sale Agreement") dated 25th June 1985 between (1) the Directors (2) the Vendors (3) certain major shareholders ("the Covenantors") (4) Kleinwort Benson and (5) the Company, Kleinwort Benson has agreed to purchase 2,246,480 Ordinary Shares from the Vendors at a price of 165.26p per share and to offer such shares for sale to the public (together with 358,754 other shares owned by Kleinwort Benson) at a price of 170p per share (representing a premium of 165p over the nominal value). Under the Offer for Sale Agreement, warranties have been given to Kleinwort Benson, jointly and severally, by the Company and the Directors who, with the exception of N. R. Hayden have also given certain indemnities to Kleinwort Benson, jointly and severally. In addition the Covenantors have jointly and severally given indemnities to each member of the Group (and to Kleinwort Benson as trustee for purchasers of the shares being offered for sale) against tax as referred to in paragraph 12(C) below and in respect of certain other tax matters. Kleinwort Benson will pay an underwriting commission of 1¼ per cent. of the value at the Offer for Sale Price of the shares being offered and a fee to the brokers. The Company has agreed to pay the costs and expenses of the application for admission to the Official List of the issued Ordinary Shares, a fee to Kleinwort Benson, the legal fees and other expenses of Kleinwort Benson, the costs and expenses of the Joint Reporting Accountants and the costs of printing and advertising the Offer for Sale. The Company will pay all other expenses of and incidental to the Offer for Sale and the transactions associated therewith. Kleinwort Benson may rescind the Offer for Sale Agreement if, *inter alia*, admission of all the issued Ordinary Shares to the Official List of The Stock Exchange does not become effective by 16th July 1985.

(B) The Directors (including their families) and other Vendors selling shares as part of the Offer for Sale are as follows:—

Name	Number of Shares
D. F. Bradstock	99,959
R. E. G. Gibson	568,975
P. W. J. Cresswell	403,147
E. B. McGrath	224,501
C. Payne	419,716
O. D. Plunkett	348,334
G. A. G. Belcher	35,975
N. M. Bryce-Smith	59,959
D. C. Huntington	89,939
M. H. Morland	35,975

(C) Save as disclosed in paragraph 6(A) no Director will be applying for any Ordinary Shares under the Offer for Sale.

(D) The Vendors have undertaken that they will not (without the prior written consent of Kleinwort Benson) dispose of any Ordinary Shares owned by them (or, where applicable, their families) prior to 29th June 1986.

10. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:—

(a) Contract dated 11th May 1984 between, inter alia, Minehold Limited (1) and BPC (2) for the sale by BPC of 5,880 'B' shares of 1p each and 5,880 deferred shares of £1 each in Bradstock, Barker & Ashley (Underwriting Agencies) Limited for a consideration of £147,000 payable on 31st December 1986.

(b) Contract by exchange of letters dated 9th March 1985 and 28th March 1985 between E. C. Peon (1) and BPC (2) for the sale by BPC of 612 shares of Servicos Tecnico Intercontinental S.A. de C.V. for a consideration of US$64,000 including payment of all dues and taxes payable thereon.

(c) Contract by exchange of letters on 18th May 1985 between Ramon de Aymerich (1) and BPC (2) for the sale by BPC of its shareholding in Bradstock Iberica S.A. for a consideration of US$11,250 including payment of all dues and taxes payable thereon.

(d) Contracts dated as set out below between the Company (1) and each of the persons set out below (2) for the purchase by the Company of the number of shares of common stock of US$1 each in Bradstock Inc. set out below for a consideration in each case of £17.38 per share:

Date	Vendor	Number of Shares
30th May 1985	P. H. Bentley	1,531
30th May 1985	O. D. Plunkett	765
30th May 1985	P. W. J. Cresswell	765
30th May 1985	N. R. Hayden	765
31st May 1985	R. E. G. Gibson	765
3rd June 1985	E. G. Rendell	1,531
3rd June 1985	D. C. Huntington	1,148
3rd June 1985	G. A. G. Belcher	765
4th June 1985	Count D. Guerrini Maraldi	383
6th June 1985	H. d'O Baker	383

(e) Contract dated 3rd June 1985 between BBC (1) and BPC (2) for the purchase by BPC of 510 ordinary shares of £1 each in Bradstock & Stratton Limited for a consideration of £510.

(f) Contract dated 4th June 1985 between the Company (1) and BPC (2) for the purchase by the Company of (i) 22,989 shares of common stock of US$1 each in Bradstock Inc. for a consideration of £11,062.79 and (ii) 510 ordinary shares of £1 each in Bradstock & Stratton Limited for a consideration of £510.

(g) Contract dated 14th June 1985 between BPC (1), E. B. McGrath (2), N. M. Bryce-Smith (3) and J. N. Cosslett (4) for the purchase by BPC of a total of 375 ordinary shares of £1 each in Bradstock, Blunt (Plastics) Limited for a consideration of £85.90 per share.

(h) Contract dated 19th June 1985 between the Company (1) and M. H. Morland (2) for (i) the purchase by the Company of 5,740 shares of common stock of US$1 each in Bradstock Inc. in consideration for the allotment and issue to M. H. Morland of 164,890 ordinary shares of 1p each in the Company credited as fully paid and (ii) the subscription by M. H. Morland of 34,975 ordinary shares of 1p each of the Company at a price of £1.017 per share.

(i) Contract dated 19th June 1985 between the Company (1) and D. M. Stratton (2) for the purchase by the Company of 490 ordinary shares of £1 each in Bradstock & Stratton Limited in consideration for the allotment and issue to D. M. Stratton of 199,865 ordinary shares of 1p each in the Company credited as fully paid.

(j) Contract dated 25th June 1985 between BPC (1), T. G. Barker (2) and D. F. Bradstock (3) for, inter alia, the sale by BPC to D. F. Bradstock of 10,585 'B' shares of £1 each in Bradstock & Barker (Underwriting Agencies) Limited for a consideration of £10,585 and a further consideration of £52,925 on receipt of confirmation by Lloyd's that Bradstock & Barker (Underwriting Agencies) Limited will be registered as a Lloyd's member's agent on acceptable terms.

(k) Contract dated 25th June 1985 between BPC (1) and D. F. Bradstock (2) for the sale by BPC to D. F. Bradstock of its freehold interest in 3 Elm Place, Kensington, London SW7 for a consideration of £240,000 payable on 10th July 1985.

(l) Contract dated 25th June 1985 between BPC (1) D. F. Bradstock (2) and P. M. Bradstock (3) for the sale by BPC of the entire issued share capital of Clanville Lodge Stud Limited for an aggregate consideration of £350,000 payable on 10th July 1985.

(m) The Offer for Sale Agreement dated 25th June 1985 described in paragraph 9(A) hereof.

11. Employees

The following table indicates the average number of employees of the Group in each of the last three financial years:—

	1982	1983	1984
Reinsurance broking	58	53	56
Direct insurance broking	73	77	85
Central administration	39	35	32
	170	165	173

12. Tax

(A) The Directors have been advised that the Company is and has since incorporation been a close company as defined in the Income and Corporation Taxes Act 1970 and will cease to be a close company immediately following this Offer for Sale.

(B) Clearance under section 464 of the Income and Corporation Taxes Act 1970 in respect of the reorganisation of the share capital of the Company referred to in paragraph 2 above has been obtained.

(C) Shortfall clearances under paragraph 18 of Schedule 16 to the Finance Act 1972 in respect of all financial years up to 30th September 1984 have been obtained for the Company and its subsidiaries. Indemnities have been given by the Covenantors, under the Offer for Sale Agreement outlined in paragraph 9(A) above, in respect of, inter alia, shortfall apportionments of the income of any member of the Group and in respect of capital transfer tax liabilities of the Group.

(D) When paying a dividend, the Company has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 3/7ths of the dividend paid. Accordingly, the ACT related to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT.

13. Working Capital

The Directors consider that, having regard to the bank loan available, the Group has sufficient working capital for its present requirements.

14. General

(A) Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, proceedings and no litigation, arbitration or claim likely to result therein, is known to the Directors to be pending or threatened against the Company or any of its subsidiaries which may have, or has had during the twelve months prior to the date hereof, a significant effect on the Group's financial position.

(B) The Directors are of the opinion that the Group carries reasonable insurance cover for all major risks facing the Group which would be expected to be the subject of insurance cover. The Company and BBT are the beneficiaries of certain life insurance policies, set out below:—

Taken Out By	On Life	Sum Assured £	Term
BBT	E. B. McGrath	30,000	to age 60
BBT	C. Payne	60,000	to age 60
Company	O. D. Plunkett	150,000	to age 60
Company	R. E. G. Gibson	150,000	to age 60
Company	P. W. J. Cresswell	150,000	to 15/6/90

(C) Following the Offer for Sale, no material issue of shares in the Company (other than to shareholders pro rata to existing holdings) will be made within one year without prior approval of the Company in general meeting.

(D) Save as disclosed under "Financial Information" or the Joint Accountants' Report above, there has been no significant change in the financial or trading position of the Group since 31st March 1985.

(E) Macnair Mason and Price Waterhouse have given and have not withdrawn their written consents to the issue of this prospectus with the inclusion therein of their joint report and joint letter in the form and context in which they are respectively included.

(F) The costs to be borne by the Company in connection with the Offer for Sale (including listing fees) are approximately £500,000, which sum will be charged as an extraordinary item, in the accounts of the Company for the year ending 30th September 1985, of which the total remuneration of Kleinwort Benson, the broker and the underwriters, including underwriting margins and commissions, amounts to £175,000.

(G) Each dividend on the Ordinary Shares will be paid to those holders of Ordinary Shares on the register of members on the record date for such dividend. Such record date will normally be about 6 weeks before the date of payment.

(H) Following this Offer for Sale, the authorised share capital will consist of 15,000,000 Ordinary Shares, of which 11,991,876 Ordinary Shares will be issued and 3,008,124 Ordinary Shares will remain unissued.

(I) Kleinwort Benson is a company registered in England (no. 551334) and its registered office is at 20 Fenchurch Street, London EC3P 3DB.

15. Preferential Application Rights

Preferential consideration will be given to valid applications received on Preferential Application Forms for an aggregate maximum of 260,623 Ordinary Shares (10 per cent. of the shares now being offered for sale) from employees of the Group.

16. Documents for Inspection

The following documents or copies thereof may be inspected at the offices of Norton, Rose, Botterell & Roche, Kempson House, Camomile Street, London EC3A 7AN during normal business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days following the date of publication of this Offer for Sale:—

(a) the Memorandum and Articles of Association of the Company;

(b) the audited consolidated accounts of the Company and its subsidiaries for the two years ended 30th September 1983 and 1984 and for the six months ended 31st March 1985;

(c) the written consents referred to in paragraph 14(E) above;

(d) the Joint Accountants' Report of Macnair Mason and Price Waterhouse and a statement setting out the adjustments made by them in arriving at the figures shown in the Report and giving the reasons therefor;
(e) the Joint Letter from Macnair Mason and Price Waterhouse relating to the profit forecast for the year ending 30th September 1985;
(f) the letter from Kleinwort Benson relating to the profit forecast for the year ending 30th September 1985;
(g) the material contracts referred to in paragraph 10 above; and
(h) the service contracts referred to in paragraph 7(A) above.
(i) the service contracts referred to in paragraph 7(A) above.

Dated 25th June 1985

TERMS AND CONDITIONS FOR APPLICATION

(a) Acceptance of applications will be conditional upon (i) the admission of the Ordinary Shares to the Official List of The Stock Exchange and (ii) dealings in the renounceable letters of acceptance being authorised by the Council of The Stock Exchange, in each case not later than 16th July 1985 (and at any time prior thereto your remittance may be presented for payment in which event it will be kept by Lloyds Bank Plc in a separate bank account). If these conditions are not satisfied your money will be returned (without interest) by crossed cheque in favour of the applicant(s) through the post at the risk of the applicant(s). Kleinwort Benson reserves the right to reject or scale down any application, including in particular multiple or suspected multiple applications.

(b) Save where the context otherwise requires, terms defined in the listing particulars relating to the Company dated 25th June 1985 ("the Prospectus") bear the same meaning when used herein or in application forms.

(c) It is a condition of the Offer for Sale that the provisions relating to rescission of the Offer for Sale Agreement referred to in paragraph 9(A) under "General Information" of the Prospectus are not implemented.

(d) By completing and delivering an application form, you (as the applicant(s)):

(i) offer to purchase the number of Ordinary Shares specified in your application form (or such smaller number for which the application is accepted) on the terms of, and subject to the conditions set out in, the Prospectus and subject to the Memorandum and Articles of Association of the Company;

(ii) authorise Lloyds Bank Plc to send a renounceable letter of acceptance for the number of Ordinary Shares for which your application is accepted and/or a cheque for any money returnable by post at your risk to your address (or that of the first-named person) set out in your application form and to procure that your name (and the name(s) of any other joint applicant(s)) is/are placed on the Register of Members of the Company in respect of such Ordinary Shares the entitlement to which has not been effectively renounced;

(iii) agree that, in consideration of Kleinwort Benson's agreeing to consider applications upon the terms and subject to the conditions set out in the Prospectus, your application may not be revoked until after 16th July 1985 and that this paragraph shall constitute a collateral contract between you and Kleinwort Benson which will become binding upon despatch by post to or, if delivered by hand, receipt by Lloyds Bank Plc of your application;

(iv) agree that completion and delivery of an application form shall constitute a warranty that your remittance will be honoured on first presentation and further agree that any letter of acceptance and any moneys returnable to you may be retained by Lloyds Bank Plc pending clearance of your remittance;

(v) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Sale shall be governed by and construed in accordance with the laws of England;

(vi) warrant that, if you sign an application form on behalf of somebody else, you have due authority to do so;

(vii) confirm that, in making your application, you are not relying on any information or representation in relation to the Company other than such as may be contained in the Prospectus and accordingly agree that no person responsible for the Prospectus or any part of it shall have any liability for any such other information or representation; and

(viii) declare that you are not nationals of, nor resident in, the United States of America or any territory or possession thereof or Canada, and are not acquiring the Ordinary Shares for the benefit of such a person, nor with a view to the offer, sale or delivery of the Ordinary Shares to such a person.

(e) Acceptance of applications will be effected by announcement of the basis of allocation to The Stock Exchange.

(f) No person receiving a copy of the Prospectus, or an application form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities, and paying any issue, transfer or other taxes due in such territory.

(g) Prospective purchasers who are, or subsequently become, connected with a Lloyd's managing agent, should note that the acquisition of any shares in the Company might bring them within the terms of sections 10 to 12 of Lloyd's Act, 1982.

PROCEDURE FOR APPLICATION

Application must be made on the application form provided.

1. Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying. Applications must be for a minimum of 200 Ordinary Shares and in one of the following multiples:
   - for not more than 2,000 shares, in a multiple of 100 shares;
   - for more than 2,000 shares, but not more than 10,000 shares, in a multiple of 500 shares;
   - for more than 10,000 shares, but not more than 20,000 shares, in a multiple of 1,000 shares;
   - for more than 20,000 shares, but not more than 50,000 shares, in a multiple of 5,000 shares;
   - for more than 50,000 shares, in a multiple of 10,000 shares.
2. Put in Box 2 (in figures) the amount you pay.
The amount you pay is 170p per Ordinary Share multiplied by the number of shares inserted in Box 1.
3. Sign and date the application form in Box 3.
The application form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so, but the power(s) of attorney must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.
4. Put your full name and address in BLOCK CAPITALS in Box 4.
5. You may apply jointly with other persons. If you do so, you must arrange for the application form to be completed by or on behalf of each joint applicant (up to a maximum of three, other than the first applicant). Their full names and addresses should be put in BLOCK CAPITALS in Box 5.
6. Box 6 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 4 and sign in Box 3). If anyone is signing on behalf of any joint applicant(s), the power(s) of attorney must be enclosed for inspection.
7. You must pin a single separate cheque or bankers' draft to your completed application form. Your cheque or bankers' draft must be made payable to "Lloyds Bank Plc" for the amount payable on application and should be crossed "Not Negotiable".
No receipt will be issued for this payment, which must be solely for this application.
Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers' drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses (and must bear the appropriate sorting code number in the top right hand corner).
An application may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person(s) named in Boxes 4 and 5.

★ No application can be considered unless it fulfils these conditions.

★ You must send the completed application form by post, or deliver it by hand, to Lloyds Bank Plc, Registrar's Department, Issue Section, PO Box 1000, 61 Moorgate, London EC2R 6BL so as to be received not later than 10 a.m. on 2nd July 1985.

If you post your Application Form, you should use first class post and allow at least two days for delivery.

BASIS OF ACCEPTANCE AND DEALING ARRANGEMENTS

Applications must be received by 10 a.m. on 2nd July 1985 and the application list will close as soon thereafter as Kleinwort Benson may determine. The basis on which applications have been accepted will be announced as soon as possible after the application list closes. It is expected that letters of acceptance will be posted to successful applicants not later than 8th July 1985 and that dealings in the Ordinary Shares will commence on 9th July 1985.

Arrangements have been made for registration by the Company of all the Ordinary Shares now offered for sale, free of stamp duty and registration fees, in the names of purchasers or persons in whose favour letters of acceptance are duly renounced provided that, in cases of renunciation, letters of acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration with Lloyds Bank Plc by 3 p.m. on 22nd August 1985. Share certificates will be despatched on or about 19th September 1985.

Up to a total of 260,623 Ordinary Shares will in the first instance be made available to meet applications from employees of the Group.

Copies of the Prospectus and Application Form can be obtained from:—

Kleinwort, Benson Limited
20 Fenchurch Street
London EC3P 3DB

Rowe & Pitman
1 Finsbury Avenue
London EC2M 2PA

Bradstock Group PLC
5b Wardrobe Place
London EC4V 5ED

Lloyds Bank Plc
Registrar's Department
Issue Section, PO Box 1000,
61 Moorgate,
London EC2R 6BL

and from the following branches of Lloyds Bank Plc:

Birmingham 125 Colmore Row	Glasgow 12 Bothwell Street	Manchester 53 King Street
Bristol 55 Corn Street	Leeds 6/7 Park Row	Newcastle upon Tyne 9/17 Collingwood Street
Cardiff 27 High Street	London 72 Lombard Street	Nottingham Old Market Square
Edinburgh 113/115 George Street		Reading 24 Broad Street

Bradstock Group PLC

(Registered in England – no. 644563)

Offer for Sale by Kleinwort Benson of 2,606,234 Ordinary Shares of 5p each at a price of 170p per share, payable in full on application

Application Form

1 I/We offer to acquire from Kleinwort Benson [ ] Ordinary Shares in Bradstock Group PLC (or any smaller number of shares in respect of which this application may be accepted) at 170p per share on the terms and conditions set out in the prospectus dated 25th June 1985

2 and I/we attach a cheque or bankers' draft for the full amount payable of £

3 Dated 1985 Signature

4 PLEASE USE BLOCK CAPITALS
Mr Mrs Miss or title Forename(s) (in full)
Surname
Address (in full)
Postcode

7 → ☐ Pin here your cheque/bankers' draft for the amount in Box 2

FOR OFFICIAL USE ONLY
1. Acceptance No.
2. Shares accepted
3. Amount received £
4. Amount payable £
5. Amount returned £
6. Cheque Number

5 Fill in this section only when there is more than one applicant. The first or sole applicant should complete Box 4 and sign in Box 3. Insert below only the names and addresses of the other joint applicants, each of whose signature is required in Box 6.

PLEASE USE BLOCK CAPITALS

Mr Mrs Miss or title / Forename(s) (in full)	Mr Mrs Miss or title / Forename(s) (in full)	Mr Mrs Miss or title / Forename(s) (in full)
Surname	Surname	Surname
Address (in full)	Address (in full)	Address (in full)
Postcode	Postcode	Postcode

6

Signature	Signature	Signature

NOTICE OF REDEMPTION

To the Holders of

WELLS FARGO & COMPANY

Temporary Series A Global Note

12⅝% Subordinated Notes Due December 27, 1991, Series A

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4 of the Series A Notes and Article Three of the Indenture dated as of December 27, 1984 between Wells Fargo & Company and Morgan Guaranty Trust Company of New York, Trustee, pursuant to which the above described Temporary Series A Global Note (the "Global Note") was issued, U.S. $23,770,000 principal amount of the Global Note has been selected for redemption on July 26, 1985 at a redemption price of 101% of the principal amount thereof, together with accrued interest to said date, in the amount of U.S. $73.30 for each U.S. $1,000 principal amount.

On July 26, 1985, all conditions precedent to such redemption having occurred, the above-mentioned portion of the Global Note will become due and payable as aforesaid in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. Said Global Note will be paid to the extent of U.S. $23,770,000 principal amount together with accrued interest to July 26, 1985 upon presentation thereof by Barclays Bank PLC, London Office, as depositary (the "Common Depositary"), for the accounts of Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System (the "Euro-clear Operator") and Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL S.A."), to Morgan Guaranty Trust Company of New York, London Office, as Paying Agent.

On and after July 26, 1985 interest shall cease to accrue on the portion of the Global Note herein designated for redemption.

WELLS FARGO & COMPANY

Dated: June 26, 1985

UK COMPANY NEWS

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8DT Telephone 01-621 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	123	Ass. Brit. Ind. Ord. ...	139	− 3	6.6	4.5	7.7	9.2
161	135	Ass. Brit. Ind. CULS...	140	—	10.0	7.1	—	—
77	46	Airsprung Group	46xd	—	6.4	13.9	7.7	10.0
42	26	Armitage and Rhodes .	37	—	2.9	7.8	4.6	7.7
158	108	Bardon Hill	158xd	—	4.0	2.5	20.8	20.8
60	42	Bray Technologies	60	—	3.9	6.5	7.3	8.5
201	161	CCL Ordinary	163	—	12.0	7.4	4.0	3.8
152	105	CCL 11pc Conv. Pref...	105xd	—	15.7	14.9	—	—
128	10	Carborundum Ord.......	128	—	4.9	3.8	6.3	9.9
88	83	Carborundum 7.5pc Pf.	84xd	—	10.7	12.7	—	—
73	46	Deborah Services	46	—	6.5	14.1	4.4	7.1
338	182	Frank Horsell	338	—	—	—	13.6	17.8
270	170	Frank Horsell Pr.Ord.87	270	—	9.6	3.6	10.8	14.2
32	25	Frederick Parker	28	—	—	—	—	—
62	33	George Blair	62	—	—	—	4.1	8.3
50	20	Ind. Precision Castings	20	—	2.7	13.5	6.6	6.9
218	177	Isis Group	177	− 3	15.0	8.5	7.0	12.7
124	101	Jackson Group	110	—	5.5	5.0	7.4	7.4
286	213	James Burrough	234xd	—	15.0	6.4	7.4	7.4
93	83	James Burrough 9pcPf.	90	—	12.9	14.3	—	—
95	71	John Howard and Co.	95	—	5.0	5.3	7.5	11.8
225	100	Linguaphone Ord.	222	—	—	—	8.2	8.5
100	92	Linguaphone 10.5pc Pf.	92xd	—	15.0	16.3	—	—
650	300	Minihouse Holding NV	618	—	6.9	1.1	26.9	25.6
120	31	Robert Jenkins	67	—	5.0	7.5	—	—
60	28	Scruttons "A"	33	− 1	—	—	—	8.5
92	61	Torday and Carlisle ...	75	—	5.0	6.7	3.8	6.9
444	325	Trevian Holdings	325	—	4.3	1.3	18.5	18.2
30	17	Unilock Holdings	30	—	1.3	4.3	14.6	21.0
104	81	Walter Alexander	101	− 2	7.5	7.4	7.6	10.9
247	216	W. S. Yeates	225	—	17.4	7.7	6.4	11.0

Prices and details of services now available on Prestel, page 48146

125 YEARS

1810 1985

Brown Shipley

Extracts from the annual statement by Lord Farnham, chairman of Brown Shipley Holdings p.l.c., for the year ended 31st March 1985.

Group Result

The profits of both our banking and insurance broking groups were materially higher than in previous years and your Board regards these results as together forming a good basis for further growth in our Anniversary year.

We are pleased to have been able to record increased earnings per share for the year in which you subscribed a substantial amount of new capital. Your Board recommends a final dividend of 5.75p per share which would increase the year's total from 8.5p to 9.25p per share.

Banking

The banking result is encouraging. The greater emphasis on fee and commission earning business is making its mark and our Corporate Finance division had a notably successful year. The Investment division has moved into separate premises in Eldon Street, E.C.2 and a strong marketing effort has greatly improved public awareness of our Unit Trusts.

In the traditional areas we were particularly active in trade finance, the Channel Island companies performed well and the Treasury division continued the profitable development of its customer-based dealing and advisory services. Medens Trust again substantially increased its contribution to our profit.

Insurance

Profit growth in the insurance group was well spread and a number of factors have combined to produce this continued improvement.

School fees insurance business, both here and in the United States, has maintained its progress; growth of the United Kingdom economy has helped our domestic customers and this, combined with the sharp increase in rates of premium, has improved the general broking result here. Overseas business placed at Lloyd's has been profitable, with currency movements favouring this predominantly dollar-based activity.

Despite adverse currency movements, the continued growth of our general broking business in South Africa again contributed an important part of the insurance result.

The Future

In our Anniversary year the prospects both for banking and for insurance are encouraging. We look forward to closer collaboration when the headquarters of both parts of the Group are combined in Founders Court and we expect to complete our celebrations with further growth in the year ahead.

Year ended 31st March	1985 £000	1984 £000
Net disclosed profit of the group after taxation	3,429	2,637
Earnings per share	24.8p	21.2p
Dividends per share	9.25p	8.18p
Dividend cover	2.68	2.59
Shareholders' funds	46,758	35,725

A copy of the annual report and accounts, which includes an illustrated section on the activities of the Group, may be obtained from The Secretary

Brown Shipley Holdings p.l.c.

Founders Court,
Lothbury, London EC2R 7HE

Record U.S. growth helps LIT to £4.3m

ALL OPERATING divisions of the London Investment Trust performed profitably during the year to March 31 1985, with the U.S. futures broking operations producing another year of record growth.

The pre-tax result of this investment holding company more than doubled from £2.04m to £4.28m, on turnover ahead by £11.12m to £26.22m.

As indicated at the interim stage, the directors are recommending an increased final of 0.721p (0.658p), bringing the total for the year to 1.162p (1.064p), and completing a six-year period of dividend growth. Stated net earnings per 5p share emerged at 2.85p (1.74p).

The group possesses a strong and liquid balance sheet, with net tangible assets of almost £17m. Borrowings are minimal, the directors say, and are confident that the group will be able to extend the scope of its activities by acquisitions in the current year.

Shatkin Trading Company, the group's principal U.S. subsidiary which operates as a clearing and broking company on the main futures exchanges in Chicago, has continued to progress.

E. Bailey Commodities, the group's UK futures broking subsidiary, produced a small profit for the year. The directors feel this is encouraging, given last year's results and the losses incurred during the first half. Management changes have taken place here, and its business emphasis altered. It has recently changed its name to Bailey Shatkin.

Centrespur, which provides financial consultancy services predominantly to UK corporate clients, suffered a decline in profitability for the first time since its incorporation. The directors are confident, however, that Centrespur will remain an important component of the group.

After a tax charge of £1.72m (£718,000), and dividend absorption of £1.05m (£945,000), retained profits emerge at £1.51m (£379,000).

● comment

The secret of London Investment Trust's rising profits is its Shatkin clearing house business in Chicago — almost a licence to print money as long as the volume of futures' trading goes on increasing. Equally perhaps the secret of the company's somewhat lowly rating is its association with high risk commodity trading — subsidiary E. Bailey in the UK, having been stung heavily by the collapse of a third party broker in 1983. The attachment of Centrespur to British film financing is also easily misunderstood — LIT are in the fee earning rather than the funding business. The only question is how much of what activity there is, that comes LIT's way. To these results Shatkin contributed some £3m and Centrespur about £350,000, leaving about £900,000 to the renamed Bailey Shatkin and the group's small property activities. The company could be on the look out for an UK acquisition — possibly in insuracen broking — in order to balance out its U.S. growth and for tax reasons. For 1985-86 the analysts' are looking for £5m pre-tax, which has the shares at 29p trading on a modest prospective multiple of 8 (35 per cent tax charge.)

MINING NEWS

Ashton's £52m lease-back

Ashton Mining has completed A$100m (£51.7m) leveraged lease deal involving the sale of its 38 per cent stake in the Argyle diamond mine plant to National Australia Bank and a seven-year lease-back.

Ashton, owned 46.3 per cent by Malaysia Mining Corporation, said that the deal will significantly reduce the cost of funds.

It is lending A$100m to National Australia from a U.S.$ 175m (£136m) project finance facility provided solely to Ashton by a 14 bank syndicate lead-managed by Chase Manhattan Bank NA in 1983.

Ashton's finance director Mr Jorgen Elstoft said Ashton has drawn nearly all the U.S.$150m principle tranche but has not used a $25m standby facility and does not expect to.

The statement said Ashton believs this is the first time that a participant in a major Australian joint venture has leased its interest in joint venture assets.

The Argyle project in the Kimberley region of Western Australia is scheduled to begin producing 25m carats of diamonds annually from 1986.

Other participants in the project are CRA (56.2 per cent). and Western Australian Diamond Trust (5 per cent).

SA sanctions

Mr George Nisbet, president of the South African Chamber of Mines, told the chamber's annual meeting yesterday that economic sanctions against South Africa would be counterproductive, as would a ban on imports of Krugerrands into the U.S.

The country's mining industry could see an increase in exports in 1985 compared with 1984, when revenues rose 17 per cent to a record R 19bn (£7.5bn).

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Amro Bank	12½%	Knowsley & Co. Ltd....	13 %
Associates Cap. Corp....	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd....	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank ...	12½%
Banque Belge Ltd. ...	12½%	National Westminster	12½%
Barclays Bank...........	12½%	Northern Bank Ltd. ...	12½%
Beneficial Trust Ltd....	13½%	Norwich Gen. Trust...	12½%
Brit. Bank of Mid. East	12½%	PK Finans Intl. (UK)	13 %
■ Brown Shipley	12½%	People's Trust	13½%
CL Bank Nederland...	12½%	Provincial Trust Ltd....	13½%
Canada Permanent ...	12½%	R. Raphael & Sons ...	12½%
Cayzer Ltd.	12½%	P. S. Refson	12½%
Cedar Holdings	13 %	Roxburghe Guarantee	13½%
■ Charterhouse Japhet...	12½%	Royal Bank of Scotland	12½%
Choulartons**		Royal Trust Co. Canada	12½%
Citibank NA	12½%	■ J. Henry Schroder Wagg	12½%
Citibank Savings	¶12½%	Standard Chartered ...	‖12½%
Clydesdale Bank	12½%	TCB	12½%
C. E. Coates & Co. Ltd.	13 %	Trustee Savings Bank	12½%
Comm. Bk. N. East ...	13 %	United Bank of Kuwait	12½%
Consolidated Credits ...	12½%	United Mizrahi Bank...	12½%
Co-operative Bank	*12½%	Westpac Banking Corp.	12½%
The Cyprus Popular Bk.	12½%	Whiteaway Laidlaw ...	13 %
Dunbar & Co. Ltd. ...	12½%	Williams & Glyn's ...	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp....	13½%		
First Nat. Secs. Ltd. ...	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.

* 7 day deposits 9½%, 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9½% gross.

‖ 21-day deposits over £1,000 10½%.

¶ Mortgage base rate.

** See Provincial Trust Ltd.

§ Demand deposits 9¾%.

CLYDE BLOWERS PLC

PRELIMINARY ANNOUNCEMENT

HALF-YEAR TO 28 FEBRUARY 1985

	1985	1984
GROUP TURNOVER	£1,520,504	£1,857,733
GROUP OPERATING LOSS	(£115,913)	(£62,226)
INCOME FROM INVESTMENTS	61,008	55,678
	(54,905)	(6,548)
EXTRAORDINARY EXPENDITURE REDUNDANCY COSTS	—	83,442
LOSS BEFORE TAX	(54,905)	(89,990)
TAXATION	—	—
LOSS ATTRIBUTABLE TO SHAREHOLDERS	(£54,905)	(£89,990)
INTERIM DIVIDEND PER SHARE (1)	0.82685p	0.82685p
TOTAL COST OF INTERIM DIVIDEND	£8,269	£8,269
EARNINGS PER SHARE	(5.5p)	(9.0p)

(1) Interim Dividend of 0.82685 pence per Share is payable on 2 August, 1985, to members on register at close of business on 11 July, 1985.

CHAIRMAN'S COMMENTS ON HALF-YEAR RESULTS

Reduced turnover coupled with continuing difficult trading conditions have again given rise to an operating loss for the half-year. However, we are still actively seeking economies in the manufacture of our standard range of equipment through continuous research and development.

In addition, we are currently promoting the sale of new associated products with every effort being made to establish additional overseas markets.

P. M. WILSON

Schroders' disposal marks move towards investment banking

An important part of the blueprint

BY DAVID LASCELLES

Schroders is the UK's second largest merchant banking group after Kleinwort Benson. But it has kept so quiet in the hurly burly of the City revolution that nobody was sure whether it was being wisely cautious, or just plain timid.

Unlike its rivals, Schroders did not buy a stockbroker or jobber, but decided to build up its own securities team instead. A fortnight ago it dropped out of the running to become a primary dealer in the gilt-edged market, making it a conspicuous absentee from a list that includes virtually all the prestige names in UK banking.

It all seemed a bit of a let-down after the much-trumpeted arrival of new management to haul Schroders out of the doldrums in 1982, headed by "the Germans": Mr George Mallinckrodt, the executive chairman based in New York, and Mr Win Bischoff, the group chief executive in London.

But Schroders has not been inactive, as yesterday's intriguing deal with the Industrial Bank of Japan shows. Executives at its Cheapside headquarters insist there is a carefully laid strategy to steer the £3.5bn group more in the direction of securities—now the fashionable area for banks to be in—but to do it carefully.

The decision to sell just over 75 per cent of its New York banking operation to the Japanese bank should achieve two things.

First, it will reduce Schroders' stake in a bank that has provided only mediocre returns over the years. The operation, which consists of commercial banking, trust and leasing businesses grouped under the J. Henry Schroder name, has a balance sheet of about $2bn (£1.56bn) and has historically yielded about 7-8 per cent on capital after tax, about half what a UK bank would hope to earn domestically.

By UK standards, the bank was a big foreign investment and marked the largest presence in New York of any UK merchant bank (it employs about 700 people). But according to Mr Ben Strickland, group finance director, it was too small to win a worthwhile slice of the lucrative U.S. commercial banking market.

Mr G W Mallinckrodt, chief executive of Schroders . . . has no intention of taking on the giants of Wall Street

Worse, perhaps, it was a barrier to Schroders' entry into the U.S. securities business, from which banks are largely barred. By reducing its stake to below 25 per cent, the transaction will achieve the second aim of permitting Schroders to stop being a bank in the U.S., and become a securities house instead.

This, at least, is the intention—it has yet to receive the blessing of the U.S. bank regulators, so Schroders executives are being rather coy.

If and when it goes through, the deal will fill out an important part of the Schroders blueprint, which is to switch emphasis from an institution that provides finance through lending, to one which offers its clients finance through securities. "We are positioning ourselves carefully at a time of great change," said Mr Strickland.

Plans are already at various stages of fruition elsewhere in the world. Schroders recently sold its Australian lending business in order to concentrate on securities. It has applied for permission to open a securities trading branch in Tokyo (where it has never had a banking branch).

And in London, Schroders is "rolling its own" securities business, grouped round Helbert Wagg, the broking operation through which it will eventually become a member of the Stock Exchange. It currently has 80 people, which will rise to 125-140 by the end of next year.

This strategy, which looks low key compared with the eye-catching acquisitions made by its rivals, is based partly on what Schroders fears would be the "cultural problems" of buying a stockbroking or jobbing firm. The best Wall Street investment banks have also developed their securities business "in house."

But having done its deal in New York and liquidated about $108m of capital, how will Schroders actually manage things on the highly competitive U.S. market?

Mr Mallinckrodt said Schroders had no intention of taking on the giants of Wall Street, the Salomon Brothers and Merrill Lynches. "We want to pursue a 'niche' strategy," he said. Schroders would try to distribute the products of its large UK investment management business, such as unit trusts. There should also be scope for financing the U.S. subsidiaries of UK companies, bringing new U.S. companies to the securities markets, and making markets in American equity securities.

But compared with a merchant bank like Kleinworts, which will be doing the same sorts of things, plus running large primary dealerships in both the U.S. and UK government securities markets, it still looks comparatively modest.

Schroders will still have a stake in its New York bank, of course, through which it will retain a foothold in the U.S. banking market and be able to offer banking services to its clients. But over time the Japanese will probably want to assume fuller ownership and control in order to build up the bank's competitive strength.

In the IBJ, Schroders has found Japan's most strongly capitalised bank which has a rare Triple A status that should help J. Henry Schroder Banking's funding costs. The IBJ plays a special role as supplier of long-term funds to Japanese business, which it finances through the sale of debentures. For its huge size (£89bn in assets) it has a comparatively small staff of 5,000 thanks to the wholesale nature of its business.

The deal with Schroders is termed "a partnership," but this applies only to the U.S. market. Mr Hideo Ishihara, head of IBJ's international operations, said it would not be allowed to interfere with IBJ's existing clients and businesses, and there were no plans to team up in Japan or the UK. He said the IBJ was keen to boost its presence in the U.S. to serve its Japanese corporate clients on that market, and work with U.S. companies doing business in Japan.

FT COMMERCIAL LAW REPORTS

Convictions restored on electricity meter fraud

REGINA v HOLLINSHEAD
REGINA v DETTLAF
REGINA v GRIFFITHS
House of Lords (Lord Fraser of Tullybelton, Lord Diplock, Lord Roskill, Lord Bridge of Harwich and Lord Brandon of Oakbrook): June 20 1985

AN AGREEMENT to manufacture and sell but not to use devices which have no purpose other than to defraud the electricity board, is a common law conspiracy to defraud and as such is incapable of being charged as statutory conspiracy in that the two forms of conspiracy are mutually exclusive.

The House of Lords so held when allowing consolidated appeals by the Crown from a decision of the Court of Appeal (Criminal Division) and restoring the convictions of Mr Peter Hollinshead, Mr Steffan Dettlaf and Mr Kenneth Griffiths for conspiracy to defraud the Electricity Board.

Section 1(1) of the Criminal Law Act 1977 provides: "(1) . . . if a person agrees with any other person . . . that a course of conduct shall be pursued which will necessarily . . . involve the commission of any offence . . . by . . . parties to the agreement if the agreement is carried out in accordance with their intentions, he is guilty of conspiracy to commit the offence . . ."

Section 5: "(1) . . . the offence of conspiracy at common law is hereby abolished. (2) Subsection (1) shall not affect the offence of conspiracy at common law so far as relates to conspiracy to defraud, and section 1 above shall not apply in any case where the agreement in question amounts to a conspiracy to defraud at common law."

LORD ROSKILL said that when devices known as "black boxes" were connected to the electric power line they caused the unit counter to move in reverse and thus made it appear that less electricity had been consumed than was the case.

Mr Griffiths made a number of boxes for sale. Mr Dettlaf knew of the source of boxes and supplied two to Mr Hollinshead.

A detective constable met Mr Hollinshead in a public house and arranged to buy boxes at £100 each. Twenty were to be delivered the next day at the Gordano Service Station on the M5.

Mr Hollinshead rang Mr Dettlaf, who arranged for Mr Griffiths to make the boxes. All three met the detective constable. They had 19 boxes with them. Other police officers then arrested them. They appeared at Bristol Crown Court on May 22 1984 to face an indictment containing two counts.

On Count 1 they were charged with conspiracy contrary to section 1 of the Criminal Law Act 1977, in that they "conspired together to aid abet counsel or procure persons unknown . . . dishonestly to induce . . . the electricity board to wait for or forgo payment for electricity supply."

On Count 2 they were charged with common law conspiracy to defraud in that they "conspired together to defraud . . . by the manufacture and/or sale of devices to alter electricity meters."

The evidence clearly established an agreement between the three defendants to make and sell the black boxes, knowing that they only had one use—a dishonest use by person other than themselves, for the purpose of defrauding electricity boards.

The trial judge, Judge Fallon QC, held that those facts were properly charged in count 2 as a conspiracy to defraud. Each defendant pleaded guilty to count 2 and was convicted. Each was sentenced to imprisonment, part of which was suspended.

On December 21, 1984, the Court of Appeal (Criminal Division) quashed the convictions. Its reasons were first, that the facts were not properly the subject of a charge of conspiracy to defraud and that therefore the convictions on Count 2 could not be sustained; and secondly, that convictions on Count 1 could not be substituted because that count did not disclose an offence, not being a statutory conspiracy within section 1(1) of the 1977 Act.

The court certified two points of law for the opinion of the House of Lords: (1) If parties agreed (a) to manufacture devices whose only use was fraudulently to alter electricity meters and (b) to sell those devices to a person who intended merely to resell them and not to use them, did that agreement constitute a common law conspiracy to defraud? (2) Alternatively, was such an agreement properly charged as statutory conspiracy "to aid abet counsel . . ."?

In *Regina v Ayres [1984] AC 447, 451* Lord Bridge said that on the true construction of the 1977 Act "an offence which amounts to a common law conspiracy to defraud must be charged as such and not as a statutory conspiracy to defraud."

At page 460 he said ". . . 'conspiracy to defraud' in section 5(2) of the Act must be construed as limited to an agreement which, if carried into effect, would not necessarily involve the commission of any substantive criminal offence by any of the conspirators."

The question in the present case was whether in order to secure conviction on Count 2 it was necessary to aver and prove a dishonest agreement actually to use the black boxes.

Mr Spokes for the defendants submitted that it was not enough to show only an intention that such a dishonest use should follow the dishonest manufacture and sale.

That submission was contrary to authority. In *Regina v Scott [1975] AC 819* it was held that the common law defence of conspiracy to defraud was not limited to an agreement to deceive the intended victim. Viscount Dilhorne said at page 829, "One must not confuse the object of a conspiracy with the means by which it is intended to be carried out." At page 839 Lord Diplock said that "the intended means by which the purpose is to be achieved must be dishonest . . . Dishonesty of any kind is enough."

In *Attorney-General's Reference No 1 [1983] QB 751* the dishonest agreement was to produce, label and distribute bottles of whisky so as to represent them as containing whisky of a well-known brand which they did not.

The court in that case was primarily concerned with jurisdiction, but had it not been for that question, the defendants would have been guilty of conspiracy to defraud. The object, as Lord Lane CJ said, was to "defraud potential purchasers of the whisky" outside the UK.

In the present case the defendants were liable to be convicted of conspiracy to defraud because they agreed to manufacture and sell and thus put into circulation dishonest devices, the sole purpose of which was to cause loss.

The decision in the Court of Appeal (Criminal Division) could not be supported, and the trial judge's reasoning was correct.

The convictions on Count 2 should therefore be restored. The cases fell well within existing principles and authorities applicable to common law conspiracy to defraud. Common-sense suggested that what the defendants agreed to do plainly constituted a conspiracy to defraud.

With regard to Count 1, offences of statutory conspiracy and of common law conspiracy to defraud were mutually exclusive (*Regina v Ayres, 447, 455*). It followed that if the defendants were properly convicted on Count 2 of conspiracy to defraud, that conclusion presupposed that they could not properly have been convicted on Count 1 of statutory conspiracy.

Even if such a charge were possible in law, there was no evidence that the defendants ever agreed to aid abet counsel or procure the ultimate purchaser of the black boxes. It followed that they could not have been convicted on Count 1 even if the count were sustainable in law.

The appeals should be allowed. The answer to certified question 1 was "Yes" and to certified question 2, "No."

Unfortunately the defendants were now in a position to view the restoration of their convictions with total indifference. That was the result of the refusal of the Court of Appeal (Criminal Division) to make the appropriate order under section 37(2) of the Criminal Appeal Act 1968 [providing for their detention, or directing that they should not be released except on bail, pending appeal to the House of Lords].

It was suggested that in future wherever a conviction was quashed on a point of law and the prosecution stated that it wished to consider bringing an appeal, the Court of Appeal (Criminal Division) should, unless there were strong reasons for not so doing, make such order under section 37(2) as would ensure that if the House took a different view and restored the quashed convictions, the offenders did not avoid all punishment.

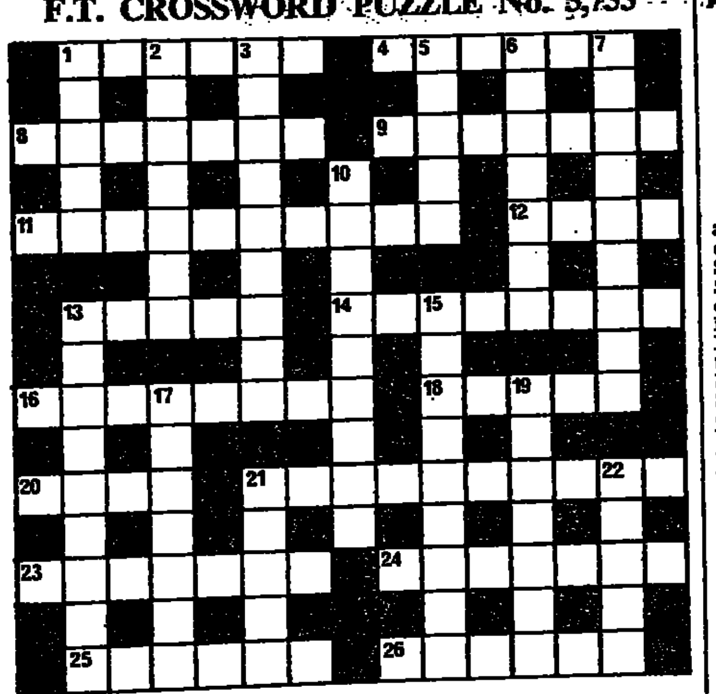
Lord Fraser, Lord Diplock, Lord Bridge and Lord Brandon agreed.

For the Crown: James W. Black QC and Adrian Palmer (Blyth Dutton, agents for ROM Lovibond, Bristol).

For the defendants: John Spokes QC and Ian Glen (Osborne Clarke, Bristol).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,753



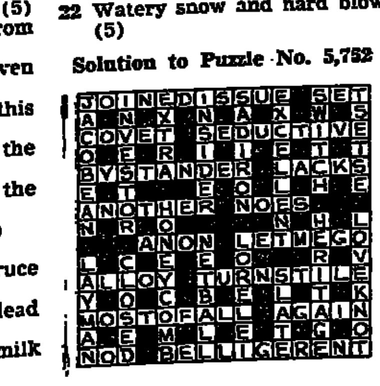
ACROSS

1 Falsely oppugn the inefficient firearm (6)
4 Rabies controlled in this country (6)
8 Inferior supporters? (7)
9 Like Sir Percy, demmed difficult to catch (7)
11 Tender name, perhaps (10)
12 This hotly-tipped mount runs rarely (4)
13 As well containing common salt, forbidden! (5)
14 Torturous way to take sailor round Hull (8)
16 Food in cans (8)
18 Scientist takes half-hour off to make fake diamonds (5)
20 Gemstone removed from shop already (4)
21 Race running out as even time? (10)
23 Trifle depressed? It's this digital trouble (7)
24 Form of defence holding the remedy (7)
25 One who deals from the pack? (6)
26 Novel site for cricket (6)

DOWN

1 Contracted pair even spruce up (5)
2 Saw Bristol footballer in lead (7)
3 Slow bowler who drinks milk in play? (9)
5 Brilliant show to consume about ton and a half (5)
6 Beg for top of bread and cheese spread (7)
7 Chance approach to river (9)
10 His workers are all six-footers (9)
13 Craft employed to transport host? (9)
15 Valuable formerly lost in study (9)
17 Accompanying Ted Lear nonsense (7)
19 One testing a piece of emboidery (7)
21 Bowed lady (5)
22 Watery snow and hard blow (5)

Solution to Puzzle No. 5,752



APPOINTMENTS

Top Rediffusion Group posts

Mr Derek Young has been appointed chairman and chief executive of REDIFFUSION SIMULATION. **Mr Victor Strachan** has been appointed deputy managing director and **Mr Michael Walls** and **Sir Robert Freer** have been appointed to the board. Mr Strachan also becomes chairman of Rediffusion Simulation Incorporated, the company's U.S. subsidiary. Mr Young, who joined the company in 1955, was formerly its managing director. Mr Strachan was commercial director and chief operating officer at Rediffusion Simulation Inc, based in Arlington, Texas.

Mr Walls joins the board as finance director. He was financial controller. Air Chief Marshal Sir Robert Freer joins the board as a non-executive director. He is also a member of the Rediffusion board. Until his retirement, he was commandant of the Royal College of Defence Studies.

★

Mr L. S. J. Cartwright, Mr S. A. Fox, Mr A. H. Phillips, Mr R. J. Whitelam and **Mr E. A. J. Woodall** will become partners from July 1 of BACON & WOODROW.

★

Mr Peter R. Meanwell, manager, mining machine sales and field service of RUSTON-BUCYRUS, has been appointed a director. He joined as an engineering apprentice in 1940.

★

Mr J. L. Sherlock has been appointed vice-president and director of European sales of HCC INDUSTRIES INTERNATIONAL, a newly-formed subsidiary of HCC Industries, California - based electronics group. He is a former marketing director of Plessey Connectors.

★

Dr Mike Hoyle has been appointed deputy chairman, ECONOMISTS ADVISORY GROUP, and **Ms Janice Hughes** becomes managing director.

★

Mr James Meynell has been appointed a director of MEYNELL VALVES, Wolverhampton. He is the eighth generation of the Meynell family to serve the company since its foundation in 1798.

★

EXPRESS CATERING FOODS has restructured its management with **Mr Mike Smith** as managing director. He joins from BL Cars where he was director of European companies.

★

Mr A. J. Shelley has been elected chairman of the WEST AFRICA COMMITTEE on the retirement of Mr E. C. Judd.

★

Mr Brian A. England has been appointed assistant general manager of NATIONAL WESTMINSTER BANK'S international banking division. He succeeds **Mr George Cathles** who has retired. Mr England was UK regional general manager, international banking division. **Mr Albert Morris** has been appointed general manager of the bank's management services division, succeeding **Mr Gordon Reeve**, who retires at the end of October.

★

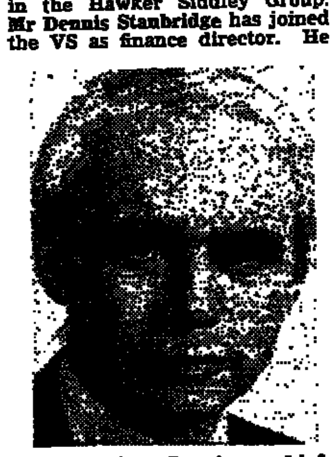
Mr Alan Shepherd has been appointed managing director of EGLIN, Sowerby Bridge, and its London-based sister company Malcolm Owen Furniture. He was formerly sales and marketing director at Antocks Lairn. **Mr Peter Cawthra**, who has been appointed sales director of both companies, was also formerly with Antocks Lairn as sales manager.

★

Mr Neil Pearce has been appointed director of ADVENT JERSEY, a high technology venture capital company. He has worked in the computing industry since 1961, and in 1980 formed his own management consulting business. He has worked with Advent since early 1982 specialising in computer based technologies.

★

Changes in the VS Technology Group are headed by the appointment of **Mr Robin Guenier** as chief executive and deputy chairman. He also becomes chairman of both VS Engineering and VS Remek. Mr Guenier was formerly managing director of SG Brown, a company in the Hawker Siddley Group. **Mr Dennis Stanbridge** has joined the VS as finance director. He



Mr Robin Guenier, chief executive, U.S. Technology

was financial controller of one of Delta's major UK divisions. **Mr Peter Starmer** becomes sales and marketing manager for VS Engineering in the first of two director designate appointments. He comes from Automatix International UK. The second director designate appointment is that of **Mr Ted Harthill** as manufacturing manager for VS Engineering. He was an engineering manager with a Metal Box subsidiary.

★

Mr J. Graham Day, chairman and chief executive of British Shipbuilders, has joined the board of THE LAIRD GROUP as a non-executive director.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	61 5	65 4	-0 9	3 48
Accum Units	[illegible]	96 7	-1 3	3 48
Pearl Inc	86 0	91 5	-1 2	5 05
Pearl Unit Tu	89 6	95 3xd	-1 2	4 20
(Accum. Units)	151 4	161 1	-2 0	4 20

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames 0491 576868

Growth	180 0	193 2	-1 5	1 [illegible]
Income	133 4	142 9	-1 3	5 42
Worldwide Recovery	102 0	109 5	-1 3	2 10
American Growth	56 7	60 9	+0 5	0 65
Intl. Emerging Cos	57 5	61 7	-0 4	0 77
Far East Growth Fd	47 3	50 8	+0 1	1 00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544-7

Prolific Far East	102 8	110 1	+0 3	0 33
Prolific Extra Inc	60 7	64 6xd	-0 9	5 94
Prolific Gilt Cap	79 7	82 9	-0 1	3 32
Prolific High Inc	123 8	131 7	-2 0	5 57
Prolific Intl	83 9	89 9	-0 2	[illegible]
Prolific N. Amer	117 1	125 5	+1 1	1 [illegible]
Prolific Spec. Sits	136 6	145 3xd	-2 7	1 [illegible]
Prolific Technology	103 5	110 9	-0 4	0 [illegible]

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49 1	52 0	+0 1	0 00
Worldwide	48 1	50 9	-0 1	1 91
European Trust	47 9	50 7	-0 1	1 69
North American	52 1	55 2	-0 3	2 36
UK Equity	48 6	51 51	-0 7	3 07

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	307 1	326 8	-7 2	3 73
Holborn Gilt Tst	149 3	156 3		9 09
Holborn High Inc	52 8	56 1xd	-0 4	[illegible]
Holborn Intl	59 5	63 2	+1 7	0 56
Holborn UK Growth	61 2	65 1	-1 1	3 64

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2 01-600 4177

Quadrant Gen. Fd	312 5	332 5	3 55
Quadrant Income	181 2	190 8	6 26
Quadrant Intl. Fund	301 1	317 0	1 50
Quadrant Recovery	195 6	205 9	2 80

Reed Stenhouse Inv Services Ltd
145 Borough High St. Ldn SE1 1NV 01-628 6011

Wellington Inc	48 3	51 4	5 00
Wellington Growth	100 2	106 6	[illegible]

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

N.M. Rothschild Asset Management

Rowan Unit Trust Mngt. (a)

Royal Life Fd. Mgmt. Ltd.

Royal London Unit Tst Mgrs Ltd

Royal Trust Can. Fd. Mgt. Ltd.

SKG Management Limited

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Equitable Fund Mgrs. Ltd.

Scottish Life Investments

Scottish Mutual Investment Managers Ltd.

Scottish Provident Inv. Mgt. Ltd.

Scottish Unit Managers

Scottish Widows' Fund Management

Standard Life Trust Mgmt. Ltd.

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Fund Management Ltd.

Sun Life Trust Mgmt. Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	[illegible]	104 2	+0 1	1 19
Do Accum	100 8	107 3	+0 1	1 19
TSB Extra Income	84 1	89 [illegible]	-0 [illegible]	6 29
Do Accum	193 6	[illegible]	-0 9	6 29
TSB General	114 1	121 3	-2 5	3 47
Do Accum	182 0	193 6	-3 8	3 47
TSB Gilt & Fxd Int	46 3	48 6		9 50
Do Accum	56 3	58 7		9 50
TSB Income	156 1	166 1xd	-2 9	5 09
Do Accum	353	250 9	-3 [illegible]	5 09
TSB Pacific	105 4	112 2xd	+0 3	1 04
Do Accum	108 1	115 0	+0 3	1 04
TSB International	228 9	243 6	-0 2	1 90
Do Accum	278 7	296 5	-0 2	1 90
Natural Resources	45 6	48 6	-0 1	2 65
Do Accum	46 1	49 1	-0 1	2 65
TSB Smllr Cos	45 1	48 0	-0 9	2 57
Do Accum	48 5	51 6	-0 9	2 57

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road Aylesbury, Bucks Aylesbury (0296) 5941

Small Co.'s Fund	66 0	70 6	-1	0 10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse Gatehse Rd Aylesbury Bk (0296) 5941

American Eagle	67 1	72 1xd	-0 4	0 26
Australia	26 5	28 5	-0 1	0 10
Commodity	92 9	99 4	-0 1	1 73
Energy	42 7	45 7	-0 2	0 76
Equity	93 1	99 3xd	-3 7	3 99
European Spec. Sits.	50 5	54 0		0 93
Extra Income	39 5	45 7	-2 3	7 58
Financial	196 0	209 9xd	-3 1	2 94
Gilt Capital	213 7	223 8		3 25
Gilt Income	100 8	105 6xd		9 07
Gold Income	62 6	67 0	-0 7	2 28
Gold Acc	113 3	121 2	-1 1	2 28
Income	55 8	60 0xd	-0 9	6 24
Japan	44 3	47 3	+0 6	0 10
Malaysia & Singapore	25 5	27 2		1 08
Pacific Income	67 4	72 1	-0 4	0 86
Pacific Accum	81 6	87 3	-0 5	0 86
Preference Share	15 9	17 2		10 07
Professional	461 9	492 7	-7 8	1 77
Special Sits	82 3	88 0	-0 8	2 55
Technology	40 9	43 7	+0 8	0 10
U.S. Special Bond	49 6	53 0		6 40
Worldwide Capital	110 7	118 1	-1 2	1 75
Equity Exempt June 25	606 6	647 0xd	-14 3	2 53
Equity Ex Acc June 25	1114 9	1189 2	-26 2	2 53

Temple Bar Unit Trust Mgrs Ltd
Electra Hse Temple Pl. Vic Emb WC2 836 7766

Electra Small Cos Fd	125 80	132 72		3 78
High Income	41 6	44 6		7 59
North American	106 7	113 5	+0 2	0 68

Touche, Remnant Unit Trust Mngt. Ltd.

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. (c) (y)

Tyndall Managers Ltd.(a)(b)(c)

Unit Trust Account & Mgmt. Ltd.

Vanguard Trust Managers Ltd.

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAvon Unit Trust Managers Limited (a) (c)

Whittingdale Unit Trust Managers

Wright Seligman Fund Managers Ltd.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co. Ltd.

Aetna Montagu Life Insurance Co. Ltd.

Albany Life Assurance Co. Ltd.

Ambassador Life Ass. Co. Ltd.

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7.

Black Horse Life Ass. Co. Ltd.
34aa, High St., Chatham

British National Life Assurance Co. Ltd

Canada Life Group

Cannon Assurance Ltd.

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd.

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co.

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd.

Criterion Assurance Group

Crown Financial Management Ltd.

Crusader Insurance PLC

Dominion Financial Management

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Chieftain Assurance Funds

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd.

Framlington Life Insurance Ltd.

Friends' Provident Life Office

G.T. Management Ltd.

General Accident Linked Life Assurance

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. PLC

Gresham Unit Assurance Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance P.L.C.

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd.

Irish Life Assurance Co. PLC.

The LAS Group

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General (U.A.)—Contd.

Legal & General Prop. Fd. Mgrs. Ltd.

Liberty Life Assurance Co Ltd

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Life

London & Manchester Group

London A'dam & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Pensions Ltd.

National Life Ltd

National Mutual of Australasia

National Provident Institution

New Zealand Insurance PLC

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Premium Life Assurance Co. Ltd.

Property Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Assc. Co. Ltd.

Provident Life Assoc of London Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co. Ltd.

Prudential Assurance Co.

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ......$12.60 — +0.07 —
Inv. Adv.: M. & G. Inv. Mngt, Ltd, London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$8.89	—	+0.01	—
Dynamic Gwth Fd	$8.04	—	+0.01	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.71	9.50	14.05	6-Mth
7-day Fnd	12.67	9.47	14.00	6-Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.25	9.16	13.57	6-Mth
7-day Fund	12.31	9.20	13.57	6-Mth
Dollar	6.12	—	—	6-Mth
Money Mngt. Acct	12.00	—	—	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	12.375	9.25	13.87	Qtr
Mkt. Int. Chq.	12.25	9.16	13.90	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EN. 01-628 8060				
Cheque Acc.	11.50	8.59	12.77	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.00	8.875	13.29	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	12.25	9.16	13.6444	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.25	9.16	13.09	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.83	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	11.0	8.22	12.11	Qtr
£2,500 +	13.00	9.72	14.40	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	12.25	9.16	13.01	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	12.75	9.53	14.49	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.50	8.59	12.77	Mth
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.375	9.25	13.21	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	12.10	9.04	13.48	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	11.77	8.80	13.17	Qtr
Provincial Trust (formerly Cheslertons) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc	12.75	9.53	14.50	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	12.25	9.15	13.73	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	12.04	9.00	13.45	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	12.40	9.27	13.91	Qtr
Money Acc	12.20	9.125	13.68	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	12.10	9.04	13.70	Mth
Over £10,000	12.35	9.23	14.02	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	12.63	9.44	13.24	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk.	30
BAT	32	NEI	8
BOC Grp.	25	Nat West Bk.	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect.	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs.	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met.	25	**Oils**	
GUS 'A'	60	Brist. Oil & Min.	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst.	17½	Charterhall	6
Hawker Sidd.	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	58	Charter Cons.	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

U.S. set to revise levels of strategic stockpile

By Nancy Dunne in Washington

REAGAN Administration officials were scheduled to brief senate members of a key military preparedness subcommittee yesterday on recommendations for revising the goal levels of the U.S. strategic stockpile.

The briefing came amid reports that "sweeping changes" would be proposed for the stockpile which keeps on hand 62 groups of commodities. It is believed that deep cuts will be made in the goals of some metals which are no longer needed in case of war or national military.

One of the big questions surrounding the secret congressional session is the Administration's plan for surplus silver. Stockpile managers have wanted to sell off the surplus for years in order to raise funds for the purchase of less accessible materials. But a powerful lobby in Congress has prevented the disposal fearing silver prices would plummet below currently depressed levels.

Although the Administration's plans have not been made public, officials have been leaking reassurances that the government will make no quick, radical changes which would upset the metals markets. The Administration has the authority to re-write the goals. However Congress must authorise disposals

Plan to mint silver dollar

A BILL authorising the minting of a silver dollar coin, using supplies drawn from the U.S. strategic stockpile, was passed by Congress and sent to President Reagan, Reuter reported from Washington.

The Bill, passed by the Senate last Friday, was endorsed by the House of Representatives. It also authorises the minting of separate gold, silver and copper-nickel coins with a surcharge to help provide funds to restore the Statue of Liberty.

Wheat Council sees record grains crop

BY JOHN EDWARDS, COMMODITIES EDITOR

RECORD world wheat and coarse grains crops are forecast by the International Wheat Council in its latest market report released yesterday. It predicts that world wheat production in the 1985-86 season will rise to 524m tonnes, 4m tonnes above the record level reached in 1984-85. World coarse grains output is forecast to jump by 18m tonnes to a record 815m tonnes.

The report notes that the crop forecasts are highly provisional since only about one third of th eworld wheat area for 1985-86 has been harvested so far, and sowings are still underway in southern hemisphere countries.

Nevertheless the report predicts that world trade in grains could fall sharply as a result of the expected larger crops in the key importing countries, especially the Soviet Union. It estimates that Soviet Union grain imports in 1985-86 will decline to 37m tonnes, compared with 56m tonnes this season.

Soviet grain production is expected to rise to 195m tonnes against the 1984-85 outturn of 170m tonnes.

In a special section on the use of wheat for animal feed the report forecasts this will decline to 98m tonnes in 1985-86 compared with 103m tonnes this season.

● CANBERRA—The Bureau of Agricultural Economics (BAE) forecast a decline in Australian wheat exports to 15m tonnes in the year to the end of September 1986 from a predicted 15.8m in 1984-85.

Third World may reduce food aid requirements

BY NANCY DUNNE

THE NEEDY countries of the Third World are expected to require less food aid in 1985-86 than in the previous year, according to the U.S. Department of Agriculture.

USDA expects the 69 developing countries to require 11.3m tonnes of food aid, about 400,000 tonnes less than their assessed needs in 1984-85.

Africa is expected to need about 5.8m tonnes, down from 7.8m last year. In East Africa crop failures and civil disturbances have generated needs for 2.5m tonnes, up 56 per cent from a year earlier. However, food needs in Southern Africa fell from 1.3m tonnes to about 600,000, and needs are down about half a million tonnes in West Africa, USDA says.

In Central Africa requirements have declined only 100,000 tonnes, while in North Africa they are down 1.4m tonnes. Stock rebuilding would add 700,000 tonnes to Africa's total food needs with East Africa needing 500,000 tonnes.

A sharply improved Indian harvest has reduced food requirements there. However, Bangladesh requirements have risen from 1.5m tonnes to 1m tonnes.

During 1984-85, donor countries will ship an estimated 11.7m tonnes of cereal food aid, surpassing for the first time the 10m-tonne target set by the World Food Conference in 1974, USDA said. The 7.4m tonnes provided by the U.S. represents 63 per cent of the total.

● WASHINGTON — The U.S. may announce more export bonus offers before the first deal with Algeria is completed, according to Mr John Block, U.S. Agriculture Secretary.

"I don't have a date (in mind) but I'm not sure we'll wait until this (Algerian deal) is completed before announcing another one," he said.

Mr Block added that he could not guarantee that the U.S. would sell the 1m tonnes of wheat offered to Algeria.

Asked if he was committed to the export subsidy programme, he said, "I want it to work. I want the (Alergia) sale consummated and I want to make more sales."

Zinc rises as supply squeeze tightens

By Our Commodities Editor

ZINC VALUES advanced strongly on the London Metal Exchange yesterday as a "squeeze" on immediately available supplies tightened. The cash price for standard grade zinc closed £14.50 higher at £586 a tonne, but in late kerb trading moved up to £598 a tonne. Its premium widened over the three months quotation which closed £9.75 higher at £579.5 rising to £584 on the kerb

Traders said the scarcity of suplies could worsen in the next few weeks and force values considerably higher, even though zinc producers have recently been forced to cut their official selling prices both in Europe and the U.S. because of poor demand.

Weekly metal prices supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,750-2,850.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 3.70-4.10.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.67-0.73, sticks, 0.72-0.78.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.25-11.35.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 290-300.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.30-3.45.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.65-7.15.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif 59-66.

VANADIUM: European Free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.10-2.20.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 13.00.

Jane Monahan on the advantages which have helped exports

Ecuador keeps a taste for bananas

HOW DID Ecuador, which has never had the reputation of being a banana republic, become the world's leading banana exporter?

A perfect climate is part of the answer. Unlike banana plantations farther away from the equator in the Carribbean and Central America, which are ravaged by cyclones, frosts, hurricanes and banana diseases, on the coastal plains of Ecuador the weather is constantly hot and humid; the rainfall is just right; there are rich volcanic soils; and the area is isolated from virulent banana diseases.

When bananas overtook cocoa as Ecuador's main agricultural export at the end of World War Two a further advantage was the west coast shipping routes from Latin America to the U.S. were more protected than east coast shipping routes. These routes were used to ship the fruit of Honduras, to the U.S. its chief customer in the north.

Where Ecuador has differed most from its Latin American neighbours, however, is in its unblemished record of relations with foreign companies. The one-year old government of President Leon Febres Cordero sustains this reputation. It has liberalised Ecuador's foreign investment rules and in July, according to Ecuardorian diplomats, a new bilateral investment agreement with the UK is due to be announced as one of the first proofs of this more lenient attitude.

"There has also never been any nationalisation trouble" in Ecuador, the diplomat adds.

In Costa Rica, by way of contrast, there is a struggle going on with the U.S. fruit multinationals over an increase in banana export taxes, which were agreed to by the Union of Banana Producing Countries, of which Ecuador is not a member, as a way of securing a fairer return for the banana exporting countries.

Other incentives to foreign investment are that the role of the State in Ecuador's banana production is strictly limited; and wages—a major consideration in such a labour intensive activity—are low.

It is seldom admitted that the principal reason for the success abroad of Ecuador's bananas was an influx of capital from the U.S. fruit multinationals in the 1940s and 1950s when these companies faced difficulties in Central America because of political scandals, strikes by banana workers and bad harvests. However, whereas in Central America the companies openly owned plantations in Ecuador they have always been much less conspicuous. The companies do not own land but they draw up contracts with the local producers to buy their crops, ship them and market them in California and elsewhere.

The arrangement has enabled Ecuador to place as much as 60 per cent of its banana exports in the U.S., and has permitted the participation of national entrepreneurs. Of these the most important is Mr Noboa, Ecuador's banana tycoon, who owns Exportadora Bananera Noboa, a banana exporting company, in addition to shipping and banking interests.

Noboa's share of Ecuador's banana export market was 37 per cent in 1982, down from 53 per cent in 1977. United Brands' share was just 3 per cent in 1982, but it was 10 per cent in 1981. Exporters associated with Del Monte had an 8 per cent share in 1982; and Standard Fruit had a 31 per cent share in 1982 up from 20 per cent in 1977.

The U.S. companies decision to invest or divest in Ecuador is clearly for reasons that are also beyond Ecuador's control. For instance, according to the United Nations Food and Agriculture Organisation (FAO), in the early 1960s foreign companies began to pull out of Ecuador and re-invest in banana plantations previously abandoned in Central America. This was because the companies were confident of greater returns to their investments in Central America at that time, the FAO says.

The tendency now may be in reverse again. Last year United Brands was making a small investment in Ecuador, planting bananas in El Oro Province over 200 acres.

In recent years Ecuador's banana exports have declined in volume and in value. After exporting 2m tonnes of bananas in 1962, Ecuador exported 1.4m in 1973, and 1.35m in 1982. Banana exports were worth $213m in 1982, $152m in 1983 and $133m in 1984. This compares with oil earnings in 1984 (Ecuador has been an oil exporting nation since 1972) of $1.6bn, and coffee, shrimp and cocoa earnings of $175m, $160m and $95m respectively.

Meanwhile, with signs appearing of a glut in the world banana market in the short- to medium-term, Ecuador is demonstrating its ability to survive. Ecuador steps in where other supplies fail. For instance it normally exports only 10,000 tonnes of bananas to Britain a year, as Britain gives preferential treatment to producers in the Commonwealth Caribbean countries. However, this year, because of bad weather in the Windward Isles and Jamaica, Ecuador has managed to obtain more export licences in the UK and is expected to export 200,000 tonnes. Ecuador is also well placed in other markets this year. Severe frosts have slowed down production in all the Central American states, and a drought in Colombia has reduced the crop there.

Call to conserve Welsh woods

BY ROBEN REEVES, WELSH CORRESPONDENT

A CAMPAIGN to arrest the decline in Wales' native broad-leaved woodlands was launched at Gregynog, Powys, this week, with the support of the Countryside Commission, the two Welsh Farmers' Unions, the Forestry Commission and other interested organisations.

A survey has shown that only three out of every 100 acres of Wales has native broad-leaved woodlands. Of these, many are dying and new saplings are too sparse to replace older generations of trees.

The problem is that during the past 50 years more than half the ancient woodlands in Clwyd, Gwent, and Gwyned, for example, have been replaced by conifer forest, agriculture improvement and urban development.

Of woodlands investigated in Snowdonia national park, some 80 per cent were failing to regenerate significantly. The compaign, named Coed Cymru (Wales Woods), is initiating a five-point programme:

● a year-long campaign of exhibitions, leaflets, meetings and practical demonstrations of woodland management;

● a new woodland advisory service for farmers, co-ordinated by country foresters;

● discussions with MPs and other policy-makers on enhancing assistance from Government sources:

● an education service aimed at courses in agriculture, biology, geography and local studies; and

● other youth activities, including a schools research project and youth planting scheme.

Chairman of the campaign is Professor Tom Pritchard of the Nature Conservancy Council. It was described yesterday as Wales's biggest-ever environmental drive.

Hill farmers to receive help with tourism

Financial Times Reporter

THE Government is planning financial aid to help Britain's hill farmers, the poorest-paid sector of agriculture, boost their income by developing tourism and rural industries.

Mr Michael Jopling, Agriculture Minister, said that assistance will be given to farmers to provide guest bedrooms.

He told the London Europe Society that the government was also investigating ways of helping young farmers by improving grant aid to them.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

Official closing (am): Cash 787-.5 (780.5-1), three months 809-.5 (802.5-3.5), settlement 787.5 (781). Final Kerb close: 808-8.5. Turnover: 15825 tonnes.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	788.5-9.5	+5.25	787.5
3 months	809.5-10	+4	813/804

COPPER

Official closing (am): Cash 1098.5-9 (1108-.5), three months 1113.5-4.5 (1121-.5), settlement 1099 (1108.5). Final Kerb close: 1117-18.

Higher grade	Unofficial close	+ or —	High/Low
Cash	1099-100	−9	1099/1098
Three m'nths	1117-.5	−6	1125/1111

Official closing (am): Cash 1083-6 (1094-6), three months 1102-4 (1110-2), settlement 1086 (1196). Turnover: 22,625 tonnes. U.S. Producer prices 65.50-70 cents per pound.

Cathodes			
Cash	1088-90	−2	—
Three m'nths	1107-10	−.5	—

LEAD

Official closing (am): Cash 306-7 (309-10), three months 303-.5 (306-.5), settlement 307 (310). Final Kerb close: 303-4. Turnover: 3725 tonnes. U.S. Spot: 19-21 cents per pound.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	307-.5	−1	306/305
3 months	303-.5	−1	304/302

NICKEL

Official closing (am): Cash 4300-1 (4310-5), three months 4268-70 (4275-80), settlement 4301 (4315). Final Kerb close: 4270-75. Turnover: 1294 tonnes.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	4295-300	−17.5	4330/4301
3 months	4265-70	−10	4280/4265

TIN

Official closing (am): Cash 9840-50 (9795-805), three months 9510-5 (9510-1). settlement 9850 (9805).

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9880-900	+90	9850
3 months	9520-5	+17.5	—

Official closing (am): Cash 9840-50 (9785-90), three months 9510-1 (9510-1), settlement 9850 (9790). Final Kerb close: 9525-30. Turnover: 1110 tonnes. Straits tin M$29.92 (29.75) kilo.

Standard			
Cash	9880-900	+95	9850
3 months	9520-5	+20	9530/9510

ZINC

Official closing (am): Cash 572-4 (567-9), three months 572-3 (565-6), settlement 574 (569). Final Kerb close: 583-4. Turnover: 11600 tonnes. U.S. Prime Western: 44-45.50 cents per pound.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	585-7	+14.5	—
3 months	579-80	+9.75	585/572

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	June 25 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt	$1030/1060	+5	$1150/1160
Copper			
Cash h Grade	£1099.5	−9	£1191
3 mths	£1117.25	−5	£1189.5
Gold troy oz	$316.5	+1.5	$309.75
Lead Cash	£307.25	−1	£294.5
3 mths	£303.25	−1	£300.5
Nickel			
Free Mkt	250/280c		250/280c
Palladium oz	$98.50	−0.25	$97.50
Platinum oz	$268.40	+0.9	$260.75
Quicksilver†	$285/295		$280/298
Silver troy oz	477.35p	+2.50	487.20p
3 mths	491.40p	+2.85	502.45p
Tin cash	£9890	+95	£9650
3 mths	£9222.5	+20	£9605
Tungsten	$75.74		$79.05
Wolfram 22.04lb	$56/60		$63/66
Zinc	£586	+14.5	£605.5
3 mths	£579.5	+9.75	£614.75
Producers	$880		$930/960

OILS	June 25 1985	+ or —	Month ago
Coconut (Phil)	$550z		$655
Palm Malayan	$565u		$590
SEEDS			
Copra Phil	‡	+5	$390
Soyabean (U.S.)	‡	+0.9	$235.4
GRAINS			
Barley Fut. Sept	£96.85	−0.15	£98.95
Maize	£146.50		£149.50
Wheat Fut. Sept	£97.60	−0.25	£99.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1699.5	+3	£1796.5
Coffee Ft. Sept	£1989.5	−16	£2092.5
Cotton A Index	62.60c	−0.15	64.45c
Gas Oil Aug.	$213.25	−0.5	$217.5
Rubber (kilo)	66p		64p
Sugar (raw)	$86vu		$89.5
Wooltops 64s	457pkilo		477pkilo

‡ Unquoted. u Aug. v June-July. w Sept, y July, z July-Aug. † Per 76 lb flask. c Cents per pound.

INDICES

FINANCIAL TIMES

June 24	June 21	M'th ago	Year ago
280.58	280.99	—	302.51

(Base: July 1 1952 = 100)

REUTERS

June 25	June 24	M'th ago	Year ago
1759.9	1763.3	1822.8	1926.3

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	923.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	June 24	June 21	Month ago	Year ago
Spot	118.73	118.89	—	135.68
Fut.	118.81	119.10	—	134.23

(Base: December 31 1974 = 100)

GOLD

Gold rose $1½ an ounce from Monday's close in the London bullion market yesterday to finish at $316¼-316½. The metal opened at $316-316½ and traded between a high of $316¾-317¼ and a low of $313¾-313¾. The closing level represented a recovery from the day's lows, touched after better than expected U.S. durable goods figures, as short covering developed towards the close of business.

GOLD BULLION (fine ounce) June 25

Close	$316¼-316¾	(£246-246½)
Opening	$316-316½	(£246¼-245¾)
M'n'g fix	$315.90	(£245.302)
Aft'n'n fix	$315.50	(£245.946)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$324-324¾	(£252-252½)
½ Krug.	$167¾-168½	(£130¼-131)
¼ Krug.	$85¼-86	(£66¼-66¾)
1/10 Krug.	$34¾-35½	(£27-27½)
Mapleleaf	$326¼-327	(£253¾-254¼)
New Sov.	$74¾-75½	(£58¼-58¾)
½New Sov	$45-45¾	(£35-35½)
Old Sov.	$76-77½	(£59-60¼)
$20 Eagle	$450-490	(£350-381)
Noble Plat	$277-280¼	(£215-217½)

SILVER

Silver was fixed 2.5p an ounce higher for spot delivery in the London bullion market yesterday at 477.35p. U.S. cent equivalents of the fixing levels were: spot 614.8c, up 3.9c; three-month 626.25c, up 4.15c; six-month 638.6c, up 4.35c; and 12-month 665.8c, up 4.45c. The metal opened at 476½-479½p (614-617c) and closed at 477½-480½p (614-617c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	477.35p	+2.50	477.25p	+0.5
3 months	491.40p	+2.80	492.25p	+0.85
6 months	505.15p	+2.85	—	—
12months	532.45p	+2.75	—	—

LME—Turnover: 38 (41) lots of 10,000 ozs.

Cash high/low 477.5; three months high 493, low 492, final kerb 491-3.

FREIGHT FUTURES

Sporadic trading followed Monday's aactivity. Minor gains were registered during the afternoon but were not sustained, reports Clarkson Wolff. The Baltic Freight Index was 891, down 1.5.

	Close	High/Low	Prev.
July	866/870	872	866/869
Oct.	889/889.5	893/886	887/888
Jan.	886/889	889/888	886/887
April	925/936	936/932.5	930/960
July	905/914	917.5	910/920
Oct.	970/980	—	970/985
Jan.	950/1010	—	960/101
April	1000/1050	—	1000/1050

Turnover: 75 (152).

GRAINS

July wheat reached £3.25 up on panic short-covering in fairly thin volume. Values eased 50p towards the close in more active trading. New crops eased on further country selling and lack of export demand, reports Muripace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterdys close	+ or —
July	116.50	+2.75	—	—
Sept.	97.80	−0.25	96.85	−0.15
Nov	101.25	−0.25	100.75	−0.15
Jan	104.75	−0.25	104.30	−0.05
Mar	108.05	−0.25	107.50	−0.05
May	111.25	−0.25	110.05	−0.05

Business done—Wheat: July 117.00-5.00, Sept 97.85-7.75, Nov 101.25 only, Jan 104.75 only. Mar and May untraded. Sales: 75 lots of 100 tonnes. Barley: Sept 96.85-6.75, Nov 100.85-0.75, Jan 104.30 only. Mar and May untraded. Sales: 49 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed Barley: S East 110.10, S West 110.00, N West 111.00. The UK monetary coefficient for the week beginning Monday July 1 (based on HGCA calculations using five days' exchange rates) is expected to change to 0.984.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 15 per cent July 139.75, Aug 137.15, Sept 137.40, Oct 141.75 sellers transhipment east coast. U.S. No 2 soft red winter July 125, Aug 126.25, Sept 128, Oct 129 sellers. EC harvest 117 quoted. English feed fob July 115.50, Aug/Sept 98-99.25, Oct/Dec 103-104, Jan/March 109.25 sellers east coast. Maize: U.S. No 3 yellow/French transhipment east coast June 146.50 sellers. Barley: English feed fob July/Aug 97.50 seller

RUBBER

The London physical market opened about unchanged, ruled quiet throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers) spot 66.00p (same): July 67.00p (66.75p); August 67.00 (66.75p). The Kuala Lumpur fob price for RSS No. 1 was 202.0 (200.0) cents a kg and for SMR 20 was 172.5 (174.5).

COFFEE

The recent decline in prices continued as trade and dealer selling produced early losses of £30-35, reports DBL. A retreat in sterling coupled with a steady New York performance encouraged a dramatic rally of £30-40 before prices fell again towards a weak close.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	1936-38	−25.0	1960-30
Sept.	1989-90	−15.0	2015-73
Nov.	2021-22	−31.5	2055-17
Jan	2057-63	−28.0	2095-55
March	2058-60	−35.5	2090-55
May	2075-80	−40.0	2111-86
July	2101-04	−20.0	2115-10

Sales: 5,656 (5,286) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for June 24: Comp daily 1979 128.70 (129.63): 15-day average 131.68 (131.89).

COCOA

Following an unchanged opening futures steadied on currency considerations and rose £20 on the day before easing to a quiet close with the near July position particularly weak. There was little physical activity as producers declined to meet current market levels and only light second-hand trading on the nears was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1720-1721	−13.5	1757-1728
Sept.	1699-1700	+3.0	1712-1685
Dec.	1674-1676	+7.0	1695-1672
Mar.	1691-1693	+0.5	1704-1690
May	1706-1707	+1.0	1717-1705
July	1716-1719	+3.5	1726-1720
Sept.	1724-1732	—	—

Sales: 4,582 (2,801) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for June 25: 93.09 (92.97); five-day average for June 26: 93.84 (94.12).

SUGAR

LONDON DAILY PRICE—Raw sugar $86.00 (£67.00), up $1.00 (up £1.00) a tonne for June-July-August delivery. White sugar $126.00, up $1.50.

Prices remained in a $1 trading range, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	88.4-88.6	88.0-88.4	86.6-85.8
Oct	87.6-87.8	87.0-87.4	89.0-87.0
Dec	92.8-93.4	92.0-92.6	95.2-92.2
Mar	103.6-103.8	102.6-102.6	103.6-102.6
May	107.6-108.4	107.8-107.2	—
Aug	115.2-115.8	112.8-115.0	113.8
Oct	117.8-118.4	116.8-117.4	117.8

Sales: 1,251 (1,524) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £167.00 (£167.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for June 24: Daily price 2.75 (2.66); 15-day average 2.78 (same).

SOYABEAN MEAL

The market opened 50p higher in quiet trade, reports T. G. Roddick. Prices remained steady on commission house buying to close on the highs.

Sales: 401 (118) lots of 20 tonnes.

	Yesterday close £ per tonne	+ or —	Business Done
August	118.4-118.6	+1.25	118.6-118.5
October	117.8-118.0	+1.20	118.0-117.0
Dec	122.5-122.7	+1.35	122.6-122.0
Feb	128.4-128.5	+1.35	128.5
Apr	128.2-130.0	+1.35	128.5
June	128.0-128.0	+1.20	128.5
August	129.5-131.0	+1.25	—

OIL

Speculative buying of Brent cargoes was minimal and most activity centred on end-users picking up July barrels. Nymex traded in a narrow range either side of Monday's close and was 3c down at 1 pm EST. The petroleum products market was quiet. Gas oil prices softened in a thin and lacklustre market. Heavy fuel oil remained firm with continued buying interest reported from refiners in north west Europe and the Mediterranean—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	26.55-27.05	−0.10
Arab Heavy	24.90-25.05	−0.05
Dubai	25.85-25.95	+0.40
Brent Blend	26.45-26.50	—
W.T.I. (1pm est)	27.40-27.50	+0.075
Forcados (Nigeria)	26.50-26.40	—
Urals (cif NWE)	25.45-25.60	+0.20
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	281-283	—
Gas Oil	218-219	−1.5
Heavy fuel oil	126-128	—

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
July	215.50	−1.00	215.75-14.75
Aug	213.25	−0.50	213.50-12.25
Sep	212.75	−1.50	213.25-12.00
Oct	214.25	−0.50	—
Nov	214.75	−0.75	214.65-13.75
Dec	215.75	−3.25	—
Jan	21 .00	−2.50	—

Turnover: 495 (969) lots of 100 tonnes.

POTATOES

Nervous long liquidation, following recent gains, rapidly pushed all positions sharply lower triggering stop-loss selling, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	59.40	63.30	62.50-59.00
Feb	68.00	72.20	70.80-
Apr	79.00	82.80	82.50-78.50
May	84.50	88.50	87.00-84.00

Sales: 534 (636) lots of 40 tonnes.

PIGMEAT

The market continued dull, lacking incentive, reports CCST Commodities. Sales: 10 (21) lots of 50 carcases, 3,250 kg.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug.	103.50	103.60	103.60-103.50
Oct.	107.50	107.60	107.50
Nov.	107.70	107.70	107.70
Feb.	98.50	99.60	—
April	99.70	99.70	—
June	99.00	98.50	—

MEAT

MEAT COMMISSSION—Average fatstock prices at representative markets. GB—Cattle 97.88p per kg lw (−1.56). GB—Sheep 149.69p per kg est dcw (−31.71). GB—Pigs 80.35p per kg lw (−2.14).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 76.0-81.0; English forequarters 52.0-55.0; Ulster hindquarters 85.0-90.0. Veal: Dutch hinds and ends 137.0-141.0. Lamb: English small 70.0-76.0, medium 68.0-74.0, heavy 68.0-70.0; Imported: New Zealand PL 65.0-66.0, PX 64.5-66.0. Pork: English under 100 lb 48.0-58.0, 100-120 lb 51.0-57.0, 120-160 lb 44.0-48.0.

PARIS

SUGAR—(FFr per tonne): Aug 1167/1170, Oct 1182/1185, Dec 1195/1205, Mar 1225/1228, May 1269/1275, Aug 1333/1340.

COCOA—(FFr per 100 kg): Jul 2000/2050, Sep 2000/2003, Dec 1975/1976, Mar 1995/1996, May 2000 bid, Jul 2005 bid, Sep 2010 bid.

U.S. MARKETS

THE ABILITY to hold critical support levels in gold and silver led to short-covering and a firmer tone late in the session, reports Heinold Commodities. Slack demand in cash markets led to pressure on copper values. Aluminium remained steady reflecting scattered profit-taking on an oversold situation. Sugar lost ground on the lack of fresh incentive. Cocoa firmed in the deferreds reflecting lingering concerns over pod rot in Brazil. Coffee attracted light buying in response to an oversold condition and fears of a quota cut if values remain depressed over the next few weeks. Cotton declined from commission house selling tied to good progress for the new crop. Heating oil weakened as traders anticipated higher imports, a general build-up of primary stocks to be reported in yesterday's API report and a build-up of spot supplies overseas. The soyabean complex traded higher with soyabeans and soya meal responding to reports of record shipments from Latin America to the EEC countries. Maize futures moved fractionally lower on professional and commercial selling. July maize was a little higher on moderate back-spreading. Wheat was lightly mixed on hedging in the July future.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	44.20	—	—	44.00
July	44.25	44.30	44.05	44.05
August	44.60	—	—	44.40
Sept	44.95	45.05	44.75	44.75
Dec	46.00	45.90	45.75	45.75
Jan	46.35	—	—	46.05
March	47.05	46.85	46.85	46.75
May	47.75	—	—	47.40
July	48.45	—	—	48.05
Sept	49.15	—	—	48.70

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	1983	1995	1983	1982
Sept	1977	1996	1967	1968
Dec	1966	1980	1958	1963
March	1978	1995	1970	1968
May	—	—	—	1987
July	2020	2011	2010	2004

COFFEE "C" 37,000lb, cents/lb

	Close	High	Low	Prev
July	140.50	140.75	139.00	139.88
Sept	142.86	143.20	141.50	142.01
Dec	144.00	144.70	143.00	143.38
March	144.00	144.06	142.90	143.50
May	143.78	143.75	142.80	143.00
July	143.08	143.25	142.50	142.60

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	59.80	—	—	60.30
July	59.85	60.10	59.70	60.35
August	60.30	—	—	60.80
Sept	60.75	61.00	60.50	61.25
Dec	61.85	62.10	61.75	62.30
Jan	62.15	—	—	62.60
March	62.76	62.95	62.75	63.15
May	63.20	63.10	63.10	63.60
July	63.65	63.80	63.50	64.05
Sept	64.20	64.50	64.20	64.55

COTTON 50,000lb, cents/lb

	Close	High	Low	Prev
July	61.10	61.55	61.10	61.34
Oct	61.34	61.50	61.15	61.25
Dec	61.53	61.88	61.45	61.80
March	62.57	62.83	62.50	62.86
May	62.88	63.10	62.88	62.95
July	62.85	63.10	62.79	62.95
Oct	59.08	—	—	59.08
Dec	58.46	—	—	58.46

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Aug	26.79	26.97	26.76	26.89
Sept	26.18	26.36	26.13	26.29
Oct	25.77	25.95	25.73	25.91
Nov	25.46	25.65	25.42	25.53
Dec	25.20	25.33	25.20	25.23
Jan	24.95	25.02	24.96	24.97
Feb	24.81	24.89	24.73	24.80
March	24.70	24.75	24.56	24.65
April	24.52	24.52	24.40	24.48

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	316.0	317.8	313.5	315.6
July	316.4	—	—	316.2
August	318.3	320.2	315.3	317.9
Oct	322.1	323.0	319.2	321.6
Dec	326.1	327.5	323.0	325.6
Feb	330.3	330.9	327.2	329.8
April	334.6	335.8	332.5	334.1
June	339.4	339.5	338.5	338.9
August	344.3	—	—	343.8
Oct	349.4	346.5	346.5	348.9
Dec	364.4	355.0	355.0	353.9
Feb	369.8	—	—	369.3
April	365.3	—	—	364.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
July	68.96	69.50	68.70	69.33
August	67.95	68.60	67.80	68.32
Sept	68.25	68.85	68.20	68.71
Oct	69.00	69.60	68.90	69.50
Nov	69.85	70.20	69.85	70.40
Dec	70.40	70.90	70.25	71.10
Jan	70.80	71.20	71.00	71.50

ORANGE JUICE 15,000lb, cents/lb

	Close	High	Low	Prev
July	141.95	143.50	140.60	140.35
Sept	139.45	141.20	136.20	136.20
Nov	137.55	138.50	134.00	133.80
Jan	135.75	137.50	132.80	132.80
March	135.90	136.10	133.00	133.10
May	135.95	—	—	133.10
July	135.95	—	—	133.10
Sept	135.95	—	—	133.10
Nov	135.95	—	—	133.10

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	267.0	267.5	267.5	267.1
July	266.8	267.5	261.0	268.0
Oct	270.8	271.5	264.0	272.2
Jan	275.8	276.5	271.0	277.2
April	280.9	281.5	277.5	282.3
July	286.8	—	—	288.2

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	615.0	—	—	613.8
July	615.5	619.0	608.0	614.5
Aug	619.2	621.5	621.5	618.1
Sept	624.0	627.0	616.0	622.7
Dec	636.5	639.0	629.5	635.0
Jan	641.1	—	—	639.5
March	649.6	653.0	645.0	647.8
May	658.7	658.0	656.0	656.8
July	668.4	671.5	671.5	666.5
Sept	678.8	671.0	671.0	676.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.70	2.77	2.67	2.77
Sept	2.80	2.82	2.78	2.79
Oct	2.85	2.90	2.82	2.86
Jan	3.14	3.16	3.10	3.15
March	3.53	3.56	3.51	3.53
May	3.75	3.76	3.72	3.71
July	3.96	3.96	3.88	3.90
Sept	4.03	4.05	4.05	4.02
Oct	4.21	4.23	4.17	4.20

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Aug	57.70	58.30	57.50	57.90
Oct	59.12	59.92	59.07	59.52
Dec	60.96	61.65	60.90	61.30
Feb	62.05	62.40	61.75	62.00
April	63.05	63.45	62.85	63.20
June	63.65	63.80	63.65	63.65

LIVE HOGS 30,000lb, cents/lb

	Close	High	Low	Prev
July	50.40	50.55	49.47	49.62
Aug	48.32	48.55	47.45	47.60
Oct	44.85	45.35	44.40	44.75
Dec	47.00	47.20	46.45	47.02
Feb	48.45	48.80	48.05	48.30
April	45.20	45.70	45.15	45.20
June	47.95	47.95	47.30	47.40
July	48.90	48.90	48.45	48.30

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	273.6	275.0	273.6	273.6
Sept	258.2	260.2	258.2	259.0
Dec	253.4	256.2	253.2	254.4
March	253.0	264.4	262.4	263.6
May	267.0	268.5	267.0	267.6
July	267.0	269.2	267.0	267.4
Sept	251.0	253.0	251.0	251.4

PORK BELLIES 38,000lb, cents/lb

	Close	High	Low	Prev
July	62.77	64.30	62.52	64.45
Aug	62.52	64.15	62.15	63.80
Feb	71.32	72.00	70.50	70.95
March	71.25	71.80	70.60	70.87
May	72.40	72.40	71.00	71.95
July	72.40	72.40	71.00	71.95
Aug	71.25	71.25	71.25	70.85

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	577.2	580.0	576.2	575.4
August	571.6	576.0	571.2	571.2
Sept	565.6	569.0	564.4	564.6
Nov	569.4	572.2	567.4	568.4
Jan	579.4	581.4	576.6	578.2
March	589.4	592.0	587.0	588.4
May	597.4	599.4	595.4	596.4
July	602.6	604.0	602.0	602.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	122.2	122.9	122.1	122.9
August	125.1	125.9	125.0	125.8
Sept	128.0	128.4	127.6	128.4
Oct	130.4	130.8	130.0	130.7
Dec	135.5	136.2	135.3	135.9
Jan	138.0	139.0	138.0	138.2
March	142.1	144.0	142.1	142.5
May	147.5	148.5	147.5	147.0
July	151.5	152.4	151.5	151.6

SOYABEAN OIL 60,000lb, cents/lb

	Close	High	Low	Prev
July	30.38	30.50	29.95	29.52
Aug	29.27	29.38	28.85	28.82
Sept	28.29	28.30	27.95	27.99
Oct	27.35	27.40	27.10	27.10
Dec	26.48	26.56	26.25	26.22
Jan	26.00	26.10	25.95	25.73
March	25.65	25.75	25.45	25.45
May	25.35	25.40	25.35	25.20
July	25.06	25.06	25.05	24.75
Aug	24.76	24.76	24.75	24.47

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	323.2	324.2	322.2	324.2
Sept	325.2	326.0	324.2	325.6
Dec	330.6	332.2	330.2	331.0
March	330.4	332.0	330.0	330.4
May	319.2	320.4	319.2	319.0
July	303.2	303.6	303.0	303.4

SPOT PRICES—Chicago loose lard 19.26 (same) cents per pound. New York tin 570.0-82.0 (567.0-80.0) cents per pound. Handy and Harman silver bullion 615.0 (614.5) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 535, 540, 541-540; Oct 539, 540, 540; Dec 538, 540, 541; Jan 539, 541, 541-540; March 548, 550, 550-549; May 556, 567, 558-556; August 569, 570, 570; Oct 567, 571, nil; Dec 569, 571, 570. Sales: 38.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business). Australian cents per kg. July 630.0, 640.0, 640.0-630.0; Oct 624.0, 625.0, nil; Dec 624.0, 625.0, nil; March 632.0, 635.0, nil; May 633.0, 642.0, nil; July 634.0, 645.0, nil; Oct 618.0, 638.0, nil; Dec 624.0, 648.0, nil. Sales: 3.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 30 tonnes. Minor contracts were under review but support was mentioned in Colombion styles.

JUTE

NO 14—5/6½

JUTE—June/July shipment: C and F Dundee. BTC $640, BWC $635, BTD $615, BWD $610; C and F Antwerp BTC $640, BWC $635, BTD $615, BWD $610; C and F Dundee ex-India June shipment 40 in 10 oz £23.56, 40 in 7.5 oz £17.92; B twills £50.03.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S two soft red winter afloat 140, July 143, Aug 143.50, Sep 145.50, Oct 146.50 sellers. U.ES. two northern spring 14 per cent protein spot 178, July 164.75, Aug 160, Sep 160, Oct 164, Nov 166, Dec 168 sellers. U.S northern spring 15 per cent protein July 175.75, Aug 171, Sep 171, Oct 175, Nov 177, Dec 179 sellers. U.S three hard amber durum Jun 176, July 168, Aug 168, Sep 162, Oct 166, Nov 170.50 sellers. Canadian one western amber durum spot 177, July 179, July/Aug 179.50, Aug 178.

CURRENCIES, MONEY and CAPITAL MARKET

FOREIGN EXCHANGES

Dollar lacks impetus

The dollar failed to break out of its recent trading range yesterday. Apart from a brief flurry following the release of U.S. durable goods orders, the dollar finished little changed from Monday's closing levels. A rise in durable goods of 4.1 per cent in May compared with a revised increase of 0.2 per cent the previous month, was some way above market expectations and the dollar rose quite sharply, having spent a quiet morning confined to a narrow trading range.

The dollar's rise was short lived however as a closer look at the latest figures underlined once again, the unreliable nature of durable goods figures, containing as they do a significant quota of defence contracts.

Consequently the dollar slipped back towards the close. Attention is now likely to focus on the money market's ability to digest the Federal authorities' latest mini refunding package and Friday's leading economic indicators.

The dollar closed at DM 3.07 against the D-mark from DM 3.0705, having touched a best level of DM 3.0835. Against the yen it was little changed overall at Y248.95 from Y248.80 and SwFr 2.5700 compared with SwFr 2.5650. Against the French franc it was unchanged at FFr 9.3525. On Bank of England figures the dollar's exchange rate index was 145.1 from 145.0.

STERLING — Trading range against the dollar in 1985 is 1.3078 to 1.0525. May average 1.2517. Exchange rate index 80.3 after an opening of 80.4 and compared with Monday's close of 80.3. The six months ago figure was 73.6.

Sterling showed little change on the day, recovering ground lost earlier in the day when the dollar rose briefly. The pound touched a low point of $1.2755 against the U.S. unit but recovered to finish at $1.2855, a fall of just 10 points from Monday. It was slightly weaker against the D-mark at DM 3.9425 from DM 3.95 and Y319.5 compared with Y320.25. Against the Swiss franc it eased marginally to SwFr 3.3000 from SwFr 3.3025 and FFr 12.00 from FFr 12.0450.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. May average 3.1024. Exchange rate index 121.6 against 120.5 six months ago.

The dollar finished below the day's best level in Frankfurt as initial enthusiasm following U.S. durable goods orders wore off. It closed at DM 3.0740 after a fixing level of DM 3.0604 and Monday's close of DM 3.0730. Part of the dollar's upward surge was the effect of numerous short positions held ahead of the figures and the higher than expected increase prompted a temporary bout of short covering.

STERLING INDEX

	June 25	Previous
8.30 am	80.4	80.0
9.00 am	80.1	80.2
10.00 am	80.2	80.3
11.00 am	80.3	80.4
Noon	80.3	80.4
1.00 pm	80.2	80.4
2.00 pm	80.2	80.5
3.00 pm	80.1	80.2
4.00 pm	80.3	80.3

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2636	+0.81	+0.94	±1.5471
Danish krone	8.14104	8.06441	−0.94	−0.81	±1.6419
German D-mark	2.24184	2.24770	+0.26	+0.39	±1.1475
French franc	6.87456	6.84824	−0.38	−0.25	±1.3659
Dutch guilder	2.52595	2.53427	+0.33	+0.46	±1.5171
Irish punt	0.72569	0.717159	−1.18	−1.05	±1.6673
Italian lira	1403.49	1430.48	+1.92	+1.92	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 25	Prev. close
£ Spot	$1.2842-1.2852	$1.2915-1.2925
1 month	0.55-0.53 pm	0.53-0.51 pm
3 months	1.43-1.39 pm	1.47-1.45 pm
12 months	3.82-3.67 pm	3.95-3.85 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2755-1.2910	1.2850-1.2860	0.55-0.52c pm	4.99	1.43-1.38pm	4.37
Canada	1.7520-1.7563	1.7520-1.7550	0.60-0.41c pm	3.11	1.21-1.07pm	2.60
Nethlnd.	4.42½-4.46¼	4.43¾-4.44¾	2¼-2⅛c pm	6.08	6⅛-5pm	5.51
Belgium	78.03-79.57	79.25-79.35	31-25c pm	4.24	79-70pm	3.76
Denmark	14.12-14.16½	14.13-14.14	4¼-3ore pm	3.02	8⅞-8⅜pm	2.62
Ireland	1.2565-1.2610	1.2570-1.2580	0.24-0.07p pm	1.48	0.48-0.33pm	1.26
W. Ger.	3.92-3.95½	3.94½-3.94¾	2⅛-2¼pf pm	7.42	6¼-6pm	6.72
Portugal	222-227	223¼-225¼	225-800c dis	−20.67	575-1540dis	−18.89
Spain	222¼-225	225-225¼	30-60c dis	−2.39	150-200dis	−3.10
Italy	2,507-2,518	2,509½-2,510½	par-3 lire dis	−0.72	5-11dis	−1.28
Norway	11.31-11.35½	11.33-11.34	⅞ore pm-⅛ dis	−0.26	¼-1½dis	−0.28
France	11.98½-12.05½	11.99½-12.00½	2¾-2⅛c pm	2.44	6⅛-5pm	1.83
Sweden	11.33½-11.37½	11.35½-11.36½	3½-4¾ore dis	−2.90	11½-13½dis	−2.98
Japan	318½-320½	319-320	1.93-1.79y pm	6.76	4.93-4.80pm	6.10
Austria	27.67-27.74	27.70-27.74	15⅛-13⅝gro pm	6.28	40¼-36¼pm	5.51
Switz.	3.29½-3.31	3.29½-3.30½	2⅛-1⅞c pm	7.27	5⅛-5⅜pm	6.82

Belgian rate is for convertible francs. Financial franc 79.95-80.05. Six-month forward dollar 2.41-2.36c pm. 12-month 3.75-3.60c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2755-1.2910	1.2850-1.2860	0.55-0.52c pm	4.99	1.43-1.38pm	4.37
Ireland†	1.0150-1.0248	1.0195-1.0208	0.30-0.25c pm	3.52	0.85-0.75pm	3.13
Canada	1.3618-1.3660	1.3640-1.3650	0.20-0.23c dis	−1.89	0.59-0.64dis	−1.81
Nethlnd.	3.4440-3.4750	3.4595-3.4605	0.31-0.28c pm	1.03	1.00-0.97pm	1.14
Belgium	61.56-62.03	61.70-61.80	6-4c dis	−1.17	15-16dis	−1.03
Denmark	10.96½-11.06	11.01½-11.01¾	1¾-2ore dis	−1.97	3¾-4dis	−1.36
W. Ger.	3.0540-3.0835	3.0695-3.0705	0.62-0.57pf pm	2.33	1.85-1.80pm	2.38
Portugal	174½-176¼	175½-176½	250-500c dis	−25.71	650-1400dis	−23.43
Spain	175.00-176.25	175.40-175.60	100-115c dis	−7.36	315-350dis	−7.59
Italy	1949½-1962½	1955-1956	3¾-10 lire dis	−4.22	28-33dis	−6.24
Norway	8.79½-8.86	8.82½-8.83½	3¼-3¾ore dis	−5.71	10-10½dis	−4.66
France	9.31-9.39½	9.35-9.35½	1.85-2.05c dis	−2.57	5.70-6.00dis	−2.61
Sweden	8.81-8.87	8.84½-8.85½	5¼-6¼ore dis	−8.84	18¼-18¾dis	−8.39
Japan	248.40-249.30	248.90-249.00	0.36-0.34y pm	1.74	1.10-1.05pm	1.73
Austria	21.48-21.68	21.53-21.55	[illegible]	1.11	[illegible]	1.11
Switz.	2.5550-2.5830	2.5695-2.5705	0.52-0.46c pm	2.30	1.58-1.52pm	2.42

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.20-62.30.

OTHER CURRENCIES

June 25	£	$		£ Note Rates
Argentina Austral	1.01-1.04	0.79-0.81	Austria	27.55-27.85
Australia Dollar	1.9220-1.9260	1.5010-1.5030	Belgium	79.40-80.20
Brazil Cruzeiro	7,330-7,552	5,880-5,890	Denmark	14.06-14.20
Finland Markka	8.1585-8.1695	6.3560-6.3580	France	11.95-12.07
Greek Drachma	172.40-177.33	134.90-137.81	Germany	3.92-3.96
Hong Kong Dollar	9.9416-9.9560	7.7670-7.7690	Italy	2500-2555
Iran Rial	118.50*	92.85*	Japan	319-323
Kuwait Dinar (KD)	0.3867-0.3861	0.3023-0.3025	Netherlands	4.42-4.46
Luxembourg Fr	79.25-79.35	61.70-61.80	Norway	11.27-11.39
Malaysia Dollar	3.1680-3.1740	2.4750-2.4770	Portugal	217-232
New Zealand Dlr.	2.7130-2.7210	2.1165-2.1230	Spain	218-227
Saudi Arab Riyal	4.6847-4.6890	3.6500-3.6505	Sweden	11.28-11.40
Singapore Dollar	2.8585-2.8750	2.2420-2.2440	Switzerland	3.28-3.31
Sth African Rand	2.5085-2.5365	1.9635-1.9695	United States	1.27¼-1.29¼
U.A.E. Dirham	4.7130-4.7160	3.6720-3.6730	Yugoslavia	354-369

* Selling rate.

CURRENCY MOVEMENTS

June 25	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.3	−9.8
U.S. dollar	145.1	+8.0
Canadian dollar	85.0	−8.6
Austrian schilling	111.8	+3.6
Belgian franc	89.5	−11.5
Danish Kroner	77.4	−5.6
Deutsche mark	121.6	+6.8
Swiss franc	140.0	+7.9
Guilder	112.5	+2.9
French franc	65.0	−13.4
Lira	48.5	−16.8
Yen	156.5	+10.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.774653	0.569904
U.S. $	7½	0.997739	0.733295
Canadian $	9.57	[illegible]	0.999838
Austria Sch.	4½	21.4693	15.8095
Belgian Fr.	9½	61.8830	45.2636
Danish Kr.	7	10.9687	8.06441
D'mark	4½	3.06348	2.24770
Guilder	5	3.44370	2.53427
French Fr.	9½	9.31090	6.84824
Lira	15½	1947.84	1430.48
Yen	5	248.068	182.554
Norway Kr.	8	8.78609	6.44690
Spain Pta.	—	174.650	128.525
Swedish Kr.	11½	N/A	6.46976
Swiss Fr.	4	2.56581	1.87685
Greek Drch	20½	130.048	99.8836
Irish Punt	—	N/A	0.717159

* CS/SDR rate for June 24: 1.36055.

EXCHANGE CROSS RATES

June 25	Pound Sterling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.285	3.945	319.5	12.00	3.300	4.443	2510.	1.754	79.30
U.S. Dollar	0.778	1.	3.070	248.9	9.338	2.570	3.460	1955.	1.364	61.75
Deutschemark	0.254	0.326	1.	81.04	3.044	0.837	1.127	636.7	0.445	20.11
Japanese Yen 1,000	3.130	4.023	12.34	1000.	37.56	10.33	13.90	7856.	5.488	248.2
French Franc 10	0.833	1.071	3.286	266.2	10.	2.750	3.702	2092.	1.461	66.08
Swiss Franc	0.303	0.390	1.195	96.83	3.636	1.	1.346	760.6	0.531	24.03
Dutch Guilder	0.225	0.289	0.887	71.92	2.701	0.743	1.	565.0	0.395	17.85
Italian Lira 1000	0.398	0.512	1.571	127.3	4.781	1.315	1.770	1000.	0.699	31.59
Canadian Dollar	0.570	0.733	2.249	182.2	6.843	1.882	2.534	1431.	1.	45.22
Belgian Franc 100	1.261	1.621	4.972	402.9	15.13	4.161	5.602	3166.	2.211	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12¼-12½	7⅛-7¼	9¾-9⅞	6½-7	1½-1¾	5⅛-5¼	10½-10¾	13¼-14¼	8¼-8½	8⅝-8⅞	5⅞-6⅛	9¼-10¼
7 days' notice	12¼-12½	7⅛-7¼	9¾-9⅞	6⅝-6¾	1⅝-1⅞	5⅛-5¼	10⅝-10⅞	13½-14¼	8⅜-8⅝	8⅝-8⅞	6-6⅛	9¾-10¼
Month	12¼-12⅜	7⅝-7¾	9⅝-9¾	6⅝-6¾	4⅝-4¾	5¼-5⅜	10⅛-10¼	13½-14	8⅝-8¾	8⅝-8⅞	6⅛-6¼	9⅞-10
Three months	12⅛-12¼	7⅝-7¾	9⅝-9¾	6⅝-6¾	5⅛-5¼	5⅛-5¼	10⅛-10¼	13⅛-13⅝	8⅝-8⅞	8⅝-8⅞	6⅛-6¼	9¾-10
Six months	12-12⅛	8⅛-8¼	9⅞-10	6⅝-6¾	5¼-5⅜	5⅛-5¼	10⅝-10⅞	13½-14	8⅝-9	8⅝-8⅞	6⅛-6¼	9⅞-10⅛
One year	11⅞-12	8⅜-8½	9⅞-10⅛	6½-6⅝	5¼-5⅜	5⅝-5¾	11-11¼	14⅛-14⅝	9⅛-9⅜	9-9¼	6⅜-6½	10-10¼

Asian $ (closing rates in Singapore). Short-term 7¹¹⁄₁₆-7¹³⁄₁₆ per cent; seven days 7⅝-7¾ per cent; one month 7⅝-7⅞ per cent; three months 7¹¹⁄₁₆-7¹³⁄₁₆ per cent; six months 8³⁄₁₆-8⁵⁄₁₆ per cent; one year 8½-8⅝ per cent. Long-term Eurodollars: two years 9⅜-9⅝ per cent; three years 9⅝-9⅞ per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates hold steady

Interest rates remained steady on the London money market yesterday, as sterling showed a slightly weaker tone on the foreign exchanges, and there was no sign of any early reduction in clearing bank base rates. The market is nervous ahead of next week's meeting of Opec ministers, and publication of the mid-June money supply figures. Three-month interbank finished unchanged at 12$\frac{7}{16}$-12$\frac{9}{16}$ per cent, and discount houses buying rates for three-month eligible bank bills were steady at 12 per cent.

UK clearing banks base lending rate 12½ per cent since June 12

The Bank of England at first forecast a market shortage of £800m, but this was changed to £650m before lunch and to £600m in the afternoon. Total help provided during the day was £542m.

An early round of assistance was offered and at that time the authorities bought £72m bills outright, by way of £27m bank bills in band 2 (15-33 days maturity) at 12⅛ per cent, and £45m bank bills in band 3 (34-63 days) at 12⅛ per cent.

Another £133m bills were purchased before lunch, through £14m bank bills in band 1 (up to 14 days) at 12⅛ per cent; £109m bank bills in band 2 at 12⅛ per cent; £4m bank bills in band 3 at 12⅛ per cent; and £6m bank bills in band 4 (64-91 days) at 12 per cent.

After lunch £337m bills were bought outright, by way of £1m bank bills in band 1 at 12⅛ per cent; £107m bank bills in band 2 at 12⅛ per cent; £12m Treasury bills in band 3 at 12⅛ per cent; £73m bank bills in band 3 at 12⅛ per cent; £54m Treasury bills in band 4 at 12 per cent; £46m local authority bills in band 4 at 12 per cent; and £44m bank bills in band 4 at 12 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £498m, with the unwinding of repurchase agreements on bills absorbing £385m and Exchequer transactions another £720m. The clearing of cheques from the second call on British Telecom shares took money out of the market yesterday—one day later than at first anticipated—but the repurchase agreement on gilt edged or export credit paper was also put back for a day and added £820m to liquidity, with a fall in the note circulation injecting another £40m.

MONEY RATES

June 25	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10¼	1⅝-1⅞	6⅞-7	6.15625	14⅞-16¼	5.80	11¾-12
One month	5.40-5.55	10$\frac{3}{16}$-10$\frac{5}{16}$	5$\frac{5}{16}$-5$\frac{7}{16}$	6¾-6⅞	6.21825	14¼-14⅝	8⅝-8¾	11¾-12
Two months	5.50-5.65	10$\frac{3}{16}$-10$\frac{5}{16}$	—	—	—	—	—	11¾-12
Three months	5.55-5.70	10¼-10⅜	5⅜-5½	6⅝-6¾	6.28125	14⅞-15¼	8⅞-8$\frac{15}{16}$	11¾-12
Six months	5.6-5.75	10⅜-10½	—	6$\frac{9}{16}$-6$\frac{11}{16}$	—	—	8⅝-8⅞	11¾-12
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅝	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

June 25 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12½-14	12⅝-13	13	12¼-12⅞	—	—	—	—	—
2 days notice	—	—	12⅝-12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7days notice	—	12⅝-12⅞	12⅝-12¾	12⅞	12½-12⅝	—	—	—	—	—
One month	12$\frac{11}{16}$-12$\frac{9}{16}$	12⅝-12¾	12⅝	12⅞	12⅝	12$\frac{3}{16}$	12¼	12$\frac{3}{16}$	12¼	12$\frac{13}{16}$
Two months	12$\frac{9}{16}$-12$\frac{7}{16}$	12½-12$\frac{11}{16}$	12½	12⅞	12⅛	12⅛	12	12⅛	12$\frac{3}{16}$	12¾
Three months	12½-12⅜	12$\frac{7}{16}$-12$\frac{9}{16}$	12⅝	12⅝	11⅞	11$\frac{31}{32}$	11⅞	12	11$\frac{31}{32}$	12⅝
Six months	12$\frac{1}{16}$-11$\frac{15}{16}$	12½-12$\frac{3}{8}$	12⅛	—	—	—	—	11$\frac{13}{16}$	11$\frac{13}{16}$	12$\frac{7}{16}$
Nine months	12-11⅞	12-12¼	—	—	—	—	—	—	—	—
One year	11⅞-11¾	11...-12$\frac{3}{16}$	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13-12⅞	—	12$\frac{11}{16}$	7.6-7.7	7$\frac{11}{16}$-8$\frac{1}{16}$	9⅜-9½
Two months	12⅞-12⅝	—	12$\frac{9}{16}$	7.65-7.75	7$\frac{11}{16}$-8$\frac{1}{16}$	9⅜-9½
Three months	12¾-12½	—	12$\frac{9}{16}$	7.7-7.8	7⅞-8⅛	9⅜-9½
Six months	12⅝-12⅜	—	12¼	8.0-8.1	8⅛-8$\frac{5}{16}$	9⅜-9½
Nine months	12½-12¼	—	12⅛	8.3-8.4	—	—
One year	12$\frac{3}{8}$-12	11⅝	12$\frac{1}{16}$	8.5-8.6	8$\frac{5}{16}$-8$\frac{9}{16}$	9⅜-9½
Two years	—	11½	—	—	—	—
Three years	—	11⅜	—	—	—	—
Four years	—	11¼	—	—	—	—
Five years	—	—	—	—	—	—

ECGD Fixed Rate Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.9171 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12¼ per cent; three-six months 12 per cent; six-nine months 11¾ per cent; nine-12 months 11¾ per cent. Under £100,000 11½ per cent from June 20. Deposits held under Series 5 11⅝ per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 25)

3 months U.S. dollars

bid 7 7/8	offer 8

6 months U.S. dollars

bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¼-8¾
Fed funds	7⅝
Fed funds at intervention	—

Treasury Bills

One month	6.80
Two month	6.90
Three month	7.03
Six month	7.24
One year	7.46

Treasury Bonds

Two year	99⅝
Three year	101⅝
Four year	101¾
Five year	98⅞
Seven year	102⅝
10 year	105⅝
30 year	105⅝

FINANCIAL FUTURES

Further fall

Interest rate contracts tended to weaken on the London International Financial Futures Exchange yesterday. Eurodollars for September delivery opened slightly weaker at 91.67, following a decline in Singapore. There was some aggressive selling, but also good buying interest, with traders trying to make profits by jobbing these large orders. A low of 91.64 was touched around this time, but the market tended to rebound at times and showed no clear trend ahead of the May durable goods orders in the U.S. Dealers said this figure of notoriously erratic but the rise of 4.1 per cent was a considerable surprise to the market and led to further selling. An increase of around 1 per cent had been forecast, although rumours suggested the figure might be flat.

September Eurodollars fell to a low of 91.58, but then bounced back when it was realised that a rise in defence orders was largely responsible for the durable goods figure. The contract closed at 91.66 compared with 91.69 on Monday. Treasury bond futures followed a similar trend, but ended slightly firmer on the day at 75-24 for September delivery, compared with 75-22 previously.

Sterling denominated contracts lost ground, reflecting a feeling that there is a lack of scope for interest rate cuts in London. The slight decline of the pound on the foreign exchanges also contributed to the weaker trend.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.66	91.70	91.58	91.69
Dec	91.19	91.21	91.12	91.20
March	90.78	90.80	90.72	90.80
June	90.43	90.46	90.41	90.46
Sept	90.14	90.12	90.08	90.18

Est. volume 8,184 (7,134)
Previous day's open int. 17,412 (17,640)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 1,456 (854)
Previous day's open int. 6,141 (6,157)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	108-16	108-26	108-22	108-22
Sept	110-03	110-13	109-29	110-11
Dec	110-18	—	—	110-28
March	110-26	—	—	111-02

Est. volume 1,484 (878)
Previous day's open int. 2,765 (2,626)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −25 to −15 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.2720	1.2777	1.2680	1.2720
Dec	1.2710	1.2645	1.2685	1.2650
March	1.2640	—	—	1.2545

Est. volume 1,456 (35)
Previous day's open int. 4,345 (4,351)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3272	0.3286	0.3260	0.3275
Dec	0.3298	—	—	0.3298

Est. volume 431 (238)
Previous day's open int. 269 (252)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.3902	—	—	0.3916

Est. volume nil (100)
Previous day's open int. 182 (182)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4030	—	—	0.4033

Est. volume nil (206)
Previous day's open int. 165 (288)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	134.80	135.20	134.30	135.70
Sept	136.65	136.20	134.95	136.35

Est. volume 841 (182)
Previous day's open int. 1,882 (1,990)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	75-24	75-24	75-08	75-22
Dec	74-25	—	—	74-22
March	73-26	—	—	73-22

Est. volume 2,456 (2,721)
Previous day's open int. 2,027 (2,063)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	75-17	75-19	75-04	75-21
Dec	74-18	74-18	74-03	74-20
March	73-19	73-19	73-07	73-22
June	[illegible]	[illegible]	[illegible]	69-24
Sept	[illegible]	[illegible]	[illegible]	71-31
Dec	[illegible]	[illegible]	[illegible]	71-08
March	[illegible]	[illegible]	[illegible]	70-14
June	[illegible]	[illegible]	[illegible]	69-24
Sept	—	—	—	—
Dec	[illegible]	[illegible]	[illegible]	68-18
March	[illegible]	[illegible]	[illegible]	68-01

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.60	92.70	92.53	92.68
Dec	92.25	92.30	92.16	92.31
March	91.91	91.95	91.83	91.98
June	91.60	91.60	91.55	91.70
Sept	91.36	—	91.36	91.47
Dec	91.13	91.13	91.11	91.25
March	90.95	—	90.95	91.05
June	—	—	—	90.87

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	92.50
Dec	[illegible]	[illegible]	[illegible]	92.03
March	[illegible]	[illegible]	[illegible]	91.57
June	[illegible]	[illegible]	[illegible]	91.16

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	91.64	91.70	91.56	91.73
Dec	91.16	91.25	91.07	91.25
March	90.76	90.77	90.69	90.84
June	90.42	90.42	90.38	90.51
Sept	90.14	90.14	90.09	90.23
Dec	89.87	89.87	89.85	89.97
March	89.64	89.64	89.59	89.72
June	89.40	89.40	89.40	89.49

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	1.2705	1.2735	1.2650	1.2745
Dec	—	1.2605	1.2605	1.2645
March	1.2530	1.2530	1.2490	1.2565
June	—	1.2500	1.2500	1.2510
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	74-21	74-21	74-11	74-25
Dec	—	73-31	73-22	74-02
March	—	—	—	—
June	—	—	—	73-01
Sept	72-08	72-08	72-08	71-21

Company Notices

Clubs

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	1985 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99 [illegible]	97 [illegible]	Treas 8¾pcCnv '85	99 [illegible]	+ [illegible]	8.82	12.55
101 [illegible]	99 [illegible]	Exch. 12¼pc 1985	99 [illegible]	− [illegible]	12.28	12.17
101 [illegible]	99 [illegible]	Exch. 11¼pc '86	99 [illegible]	− [illegible]	11.77	11.83
99 [illegible]	97 [illegible]	Treas. 10pcCnv 1986	98 [illegible]	− [illegible]	10.15	11.77
94 [illegible]	92 [illegible]	Treas 3pc 1986	94 [illegible]	− [illegible]	3.19	9.75
100	97 [illegible]	Exch. 10½pc Cv '86	99 [illegible]	—	10.61	11.57
101 [illegible]	99 [illegible]	Treas 12pc 1986	100 [illegible]	− [illegible]	11.95	11.48
97 [illegible]	94 [illegible]	Treas 8½pc 1984-86‡‡	97 [illegible]	.....	8.73	11.27
105 [illegible]	102 [illegible]	Exch. 14pc 1986	102 [illegible]	− [illegible]	13.60	11.50
93 [illegible]	87 [illegible]	Exch. 2½pc 1986	92 [illegible]	.....	2.71	8.04
104 [illegible]	101 [illegible]	Exch. 13¼pc 1987	102½xd	− [illegible]	12.93	11.47
99 [illegible]	96 [illegible]	Treas 10¼pcCv '87	98 [illegible]	− [illegible]	10.45	11.46
91	85 [illegible]	Exch 2½pc 1987	90 [illegible]	.....	2.76	8.65
99 [illegible]	96 [illegible]	Exch. 10½pc 1987	98 [illegible]	− [illegible]	10.66	11.37
93 [illegible]	89	Funding 6½pc '85-87‡‡	93	− [illegible]	7.00	10.75
98 [illegible]	95½	Treas. 10pc 1987	97 [illegible]	.....	10.25	11.37
90 [illegible]	84 [illegible]	Treas 3pc 1987	90xd	− [illegible]	3.34	8.42
102 [illegible]	99 [illegible]	Treas. 12pc 1987	101 [illegible]	− [illegible]	11.86	11.35
93 [illegible]	90 [illegible]	Treas 7¾pc 1985-88‡‡	93¼xd	− [illegible]	8.33	10.88
98 [illegible]	95 [illegible]	Exch 10½pc '88	98 [illegible]	− [illegible]	10.70	11.25
96 [illegible]	93 [illegible]	Treas 9¾pc Cv '88	96 [illegible]	− [illegible]	10.15	11.34
85 [illegible]	80	Transport 3pc '78-88	85 [illegible]xd	.....	3.49	8.40
95 [illegible]	91½	Treas. 9½pc '88	94 [illegible]	+ [illegible]	10.01	11.36
101 [illegible]	97½	Treas 11½pc 1989	100 [illegible]	− [illegible]	11.46	11.35
95 [illegible]	90 [illegible]	Treas 9½pc Cnv. '89	94 [illegible]	− [illegible]	10.07	11.36
79 [illegible]	79	Treas 3pc 1989	79 [illegible]	.....	3.76	9.33
98 [illegible]	94	Treas 10½pc 1989	97 [illegible]	− [illegible]	10.79	11.32
96 [illegible]	92	Exch.10pc 1989	95 [illegible]xd	.....	10.45	11.38
99 [illegible]	95	Exch 11pc 1989	98 [illegible]	− [illegible]	11.14	11.35
84 [illegible]	79	Treas 5pc 1986-89	84	− [illegible]	5.96	9.61
107 [illegible]	103 [illegible]	Treas 13pc 1990‡‡	106½xd	− [illegible]	12.20	11.15
99 [illegible]	96 [illegible]	Exch 11pc 1990‡‡	98 [illegible]	− [illegible]	11.16	11.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

1985 High	Low	Stock	Price	+ or –	Div Net	Cvr	Yld Gr's
290	250	Ayer Hitam $M1	250		vQ140c	1.0	17.7
250	190	Geevor	190xd	–7	12.0	◆	9.0
175	105	Gopeng Berhad M$0.50	105		g$0.16	◆	5.3
650	650	Hongkong	650ø		—	—	—
27	11	Jantar 12½p	20		2.5	◆	17.9
55	36	Malaysia Mng 10c	36		vQ6c	◆	5.3
38	21	♥Panang	21		0—	—	—
650	350	Pengkalen 10p	350		—	—	—
275	195	Petaling $M1	195		vQ60c	◆	9.7
275	230	Sungei Besi $M1	230		SvQ75c	0.9	‡
285	180	Tanjong 15p	200		q3.5	—	2.5
250	110	♥Tongkah H. Tin $M1	110		vQ23c	1.2	6.9
305	220	Tronoh $M1	220		vQ64c	1.1	9.2

Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	Cvr	Yld Gr's
55	37	Anglo-Dominion	39		—	—	—
48	34	♥Anglo Utd. Dev	34		—	—	—
350	130	♥Centennial Min'ls	247	+2	—	—	—
120	70	♥Colby Res Corp.	85		—	—	—
550	450	Cons. Murch 10c	475		tQ100c	1.4	8.3
40	28	‡Ennex Int. Ir10p	30		—	—	—
215	137	Hampton Areas 10p	137	–8	3.75	2.1	3.7
260	145	♥Highwood Res	145		—	—	—
£22½	£18	Homestake Mining $1	£19⅛	–¼	Q30c	—	1.0
310	190	♥McFinley Red Lake	220	+10	—	—	—
300	195	♥Mustro Explorations	250		—	—	—
55	23	♥New Sabina Res C$1	42		—	—	—
375	260	Northgate C$1	265	–20	—	—	—
685	558	RTZ	563	–7	20.0	2.7	5.1
£145½	£124	Do 9½pcLn '95-2000	£124	–1½	Q9½%	14.0	f7.9
£14⅛	£10	♥Tara Expln $1	£11	–⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ *No par value*

B Fr Belgian Francs. Fr French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	100		Arnott	165	
Craig & Rose £1	750		CPI Hldgs	50	
Finlay Pkg 5p	61		Carroll Inds.	130	+3
Higsons Brew	235		Dublin Gas	51	
Holt (Jos) 25p	750		Hall (R. & H.)	59	
IoM Stm £1	73	–2	Heiton Hldgs.	16	–1
IRISH			Irish Ropes	46	
Fund 11¼% 1988	£98		Jacob (W & R.)	88	
Nat. 9¾% 84/89	£92¾	–⅛	Unidare	85	
Fin 13% 97/02	£102⅞				

"Recent Issues" and "Rights" Page 34

LONDON STOCK EXCHANGE

MARKET REPORT

Weak tone develops throughout equity markets as Electronics come under attack

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5

* "New-time" dealings may take place from 9.30 am two business days earlier.

Heavy selling of electronic and high-technology stocks brought marked weakness to London equity markets yesterday. By mid-afternoon the FT Ordinary share index was 22.7 down and threatening to record the largest-ever closing loss in points terms, but it subsequently rallied sharply to close a net 13.1 lower at the second-lowest level of the year of 952.1.

Successive items of disappointing news brought about the depression in Electronics issues. Preliminary results of sector leader Racal were broadly in line with analysts' forecasts but the warning of lower profits for the current six months proved too much for the recently unfashionable sector. Electronics are currently bottom of the leaders and laggards table with Electricals only one place higher.

Referral to the Monopolies Commission of British Telecom's bid to take a controlling interest in Mitel and ITT's denial that it was considering the sale of the 24 per cent stake in STC were other unsettling influences following Monday's news that Acorn Computer's financial problems had worsened.

All leading shares were hit severely as Racal plunged to 150p before closing 36 down on the day at 156p. The los of confidence as a whole continued until 2.30 pm when a tentative recovery developed. The movement gained impetus following announcement of last month's rise of 4.1 per cent in U.S. durable goods orders. This was much higher than expected and provided fresh evidence that the economy there was strengthening.

The news sent Wall Street to a record high in the early trade and simultaneously restored much needed confidence to the London market. In the after-hours' business here, blue chip industrials continued to rally but the pressure remained on the electronic and electrical sectors.

Neglected for best part of the session, Government securities eased after receipt of the U.S. news which served to dampen hopes of lower interest rates. Sterling maintained an even keel throughout the day and its late stability against the dollar encouraged small demand which finally reduced Gilt-edged falls to minimal proportions.

A couple of welcome firm features emerged among merchant banks. Schroders rose 20 to 765p on news that agreement had been reached with the Industrial Bank of Japan over the latter's introduction as a partner into Schroder's commercial banking business in New York. Mercury Securities, meanwhile, rose 25 to 425p in response to the annual results. Elsewhere, Discount Houses reflected the uncertain interest rate outlook and gave ground throughout the list. Union led the retreat with a fall of 35 to 640p, while the new nil-paid shares dropped 10 to 45p premium. Gerrard and National dipped 12 to 303p and Cater Allen cheapened 10 to 495p, while King and Shaxson and Smith St Aubyn declined 4 apiece to 154p and 40p respectively. Clearing banks staged a late technical rally, but still sustained falls ranging to 9, as in Natwest, at 658p.

Early rumours of an imminent Life and a subsequent vendor takeover by Royals of Lloyd's placing of 15m shares was quickly denied by the fromer, which later fell 11 to 655p. Other Composites lost ground and GRE declined 13 to 715p, while Sun Alliance dipped 10 to 458p. Life issues succumbed to renewed profit-taking but rallied to close well above the day's lowest levels. Britannic finished 6 off at 769p, after 757p, while Legal and General closed only a penny easier at 702p, after 692p.

Micro Scope began life disappointingly and fell to 107p for a discount of 13 on the offer-for-sale price of 120p. Similarly, USM-debutant Appletree moved 6 below the placing prices of 138p before rallying to close at that level. Among other recently-issued equities, Brent Walker came back 7 to 119p and Datron 5 to 90p.

Breweries were very much of a backwater yesterday. Allied-Lyons, however, continued to attract a fair amount of speculative attention and having dipped to 206p in the early business, rallied sharply to settle a net 5 higher at 215p.

Buildings provided an outstanding feature in French Kier which jumped 16 to 182p on news that Trafalgar House had increased its holding in the company to 25.2 per cent following the purchase of a further 5.1m shares; Trafalgar House ran back 12 to 330p. William Sindall also performed well and rose 15 more to a 1985 high of 395p reflecting recent favourable Press comment. Other buildings were under pressure for much of the session but edged off the lowest levels in the late trading. Timber group Meyer International were depressed by fading takeover hopes and retreated 12 to 127p, while losses ranging from 5 to 8 were common to Costain Group, 404p, Tarmac, 284p, and RMC, 360p.

ICI approached the year's low of 724p at one point but rallied well after-hours to close a shade firmer on balance at 737p.

Leading Stores escaped relatively lightly. Falls were usually confined to single figures with the exception of Burton, 10 lower at 458p; the company has made an agreed offer for menswear chain John Collier via share-exchange terms worth £16.5m. Debenhams, the other, much larger takeover on Burton's horizon, fell 7 to 381p, while Habitat Mothercare dipped a few pence to 382p. Dixons were volatile, albeit in a narrow market, and fell to 660p before settling a net 17 lower at 670p; this preliminary results are scheduled for July 17. Body Shop, 695p, Our Price, 520p, and Owen Owen, 230p, all shed around 15, while losses of 8 were common to Harris Queensway, 224p, Etam, 178p and J. Hepworth, 200p. J. T. Parrish came back 8 to 290p following the full-year los and profit-taking left Combined English 10 lower at 136p. A rare firm feature was provided by Stirling, which rallied 6 to 80p; the annual results are due on July 9.

The beleagured Electronic sector suffered a further mauling. Racal's profits warning was an early depressant, but the ensuing referral of British Telecom's proposed acquisition of Mitel to the Monopolies Commission and further evidence of the current state of the computer industry via poor interim figures from CPS Computer, rubber further salt into the sector's wounds. BT touched 168p at one stage before closing 4 lower at 171p, while Mitel lost 50 at 475p, after 425p. CPS dropped to 45p on news of the 37 per cent intermi profits contraction before closing 15 down at 48p. STC, still reflecting ITT's denial that it was considering the sale of its 24 per cent stake in the company, eased to a 1985 low of 126p before ending 4 down on balance at 132p. Nervously awaiting today's preliminary trading statements, Cable and Wireless fell 20 to 515p and Ferranti lost 10 to 116p. BICC cheapened 5 to 205p, while GEC softened a couple of pence to 166p as did Plessey, to 126p. Elsewhere, AB Electronics continued to reflect concern about the Acorn Computer suspension and luost 20 more at 275p. Falls among other high-technology and computer stocks ranged well into doubel figures. Micro Focus plummeted 40 to 200p, Logica dropped 25 to 180p, TDS Circuits retreated 20 to 260p and CASE 14 to 231p. Amstrad declined 4 to 68p, after 66p, following the decision against the company in the high court.

Westland, initially sold down to 65p, rallied to close a net 3 dearer on balance at 73p following the Board's statement that Price Waterhouse is reviewing the company's affairs in the wake of the collapse of the Alan Bristow-led consortium bid. Elsewhere in Engineerings, the leaders mirrored the overall dull trend. Vickes lost 9 to 270p and Babcock 8 to 143p.

Foods were lowered throughout the list. Retailers were particularly dull with J.S ainsbury 8 off at 304p, after 300p. Tesco dipped to 240p before settling a net 7 cheaper at 243p and Dee shed 8 to 242p. Argyll closed 10 lower at 285p, after 280p, with the Warrants down 13 at 165p. Glass Glover gave up 7 at 283p in front of today's interim results.

In Hotels, Trusthouse Forte continued to encounter nervous selling ahead of tomorrow's half-timer and dipped 5 to a new 1985 low of 127p. Inn Leisure fell 5 to 62p, but Midsummer Inns, attracted further support in the wake of favourable comment and rose 10 for a two-day gain of 25 to 185p.

Miscellaneous industrial leaders fell sharply. Reed International declined 18 to 575p on reports of a large line of shares overhanging the market, while Metal Box lost 13 at 447p and BTR, 33p, and Rank Organisation, 325p, declined 10 apiece. Beecham, however, rallied from 322p to finish at the overnight level of 328p. Elsewhere, glamour stock Pentland were caught up in the general malaise and plummeted 1¼ points before rallying to finish 75 down at 950p. Blue Arrow lost 13 to 170p, while the new nil-paid shares opened at 30p but closed at 15p premium. AGB Research cheapened 15 to 185p at did Pearson to 340p. NMW Computers dropped 15 to 280p and Oriflame dipped 20 to 460p. Halma, despite impressive results, cheapened 2 to 233p and Prestwich declined 6 to 140p following news of a £3.14m rights issue. Against the trend, Associated British Engineering hardened 2 to 5p.

Leisure stocks highlighted Samuelson which attained a new high of £11½ before closing ¼ better on balance at £11¼ following the proposed subdivision of shares and profits forecast accompanying news of the acquisition of Sydney-based John Barry.

A lively business developed in Lucas Industries which fell 12 to 303p, after 301p, amid persistent speculation of a possible vendor placing to finance a U.S. acquisition. Other Components also lacked support with Dowty 8 lower at 178p and AE 3 down at 138p.

Textiles weres subdued. Occasional selling clipped 4 from Dawson International at 272p, while similar losses were noted in merger partners Vantona Viyella, 354p, and Nottingham Manufacturing, 262p. Speculative demand in a restricted market lifted Dura Mill 11 to 173p, while interest was also shown for Don Brothers Buist, 6 to the good at 190p.

Late rally in Oils

Another minor bout of oil price nervousness and a general lack of support prompted an initial mark-down of the leading oils. However, little selling emerged during the session and the appearance of persistent U.S. buying late in the day enabled most issues to close with only modest falls on balance. Shell were particuiarly favoured by American demand and recovered from an initial 686p to end the day a few pence up on balance at 697p. BP were finally 5 off at 528p, after 525p. Down to 245p around midday Burmah closed a net 7 lower at 249p. A number of the recently depressed second-line oils continued to lose ground. Caledonian Offshore were persistently sold and dropped 30 more to 500p just over a week ago the shares were changing hands at 695p amid rumours of an imminent bid from a U.S. oil group. Irish exploration stocks showed further widespread losses with Bryson another 7 down at 88p. Jackson Exploration staged a good rally and put on 5 to 35p.

Golds improve

A gradual improvement in the bullion price throughout the session helped South African gold and related issues gain ground for the first time in four trading days. Golds opened on a firm note, reflecting overnight U.S. support, and continued to improve as the initial fixing in Johannesburg found the London market short of stock. A minor flurry of selling around midday was quickly shrugged off and prices resumed their upward path in the afternoon to close around the day's best levels.

The Gold Mines index posted a 5.3 rise at 445.5 while bullion was finally a net $1.5 higher at $316.5 an ounce.

Western Deep were outstanding in the leading heavyweights, and advanced £1½ to £36½ while rises in the region of ½ were common to Vaal Reefs, £72, Free State Geduld, £20¾, President Brand, £19¾ and Western Holdings, £24½. Cheaper priced issues showed Consolidated Modderfontein 18 higher at 563p and Simmer and Jack 10 better at 220p. ERGO put on 15 to 465p in front of the annual report.

South African Financias improved in line with Golds. Anglo American Corporation persistently bought by Cape operators, were finally ¼ harder at £11¾ and "Amgold" ¾ to the good at £69¾. Substantial losses in domestic equity markets, however, prompted sympathetic losses in the London-based issues. Rio Tinto-Zinc dropped to a year's low of 558p prior to closing a net 7 off at 563p while Consolidated Gold Fields settled 4 cheaper at 523p. Hampton Areas gave up 8 to a 1985 low of 137p in front of today's full-year results which will include an extraordinary charge against Hampton Areas' investment in the Colorado gold joint venture with Centennial Gold Corporation and Marathon Gold Corporation. Gevor, the Cornish tin producer, fell 7 to a year's low of 130p.

Demand for Traded Options increased sharply with 12,193 contracts done—almost twice Monday's volume. The FT-SE index contract contributed 741 calls and 1,907 puts. Attention elsewhere centred on Racal which recorded 1,027 calls, 685 in the August 180's, and 425 puts. British Telecom attracted 512 calls and 1,448 puts. Yesterday also saw the introduction of dealings in the long Gilt option, each for £50,000 nominal of Treasury 11¾ per cent 2003-07; business got off to a relatively encouraging start with 278 calls and 176 puts done.

FINANCIAL TIMES STOCK INDICES

	June 25	June 24	June 21	June 20	June 19	June 18	year ago
Government Secs..	81.77	81.92	81.96	81.94	82.17	81.86	78.25
Fixed Interest ..	86.35	86.56	86.72	86.49	86.45	86.25	82.59
Ordinary ..	952.1	965.2	963.2	974.1	982.9	985.8	803.9
Gold Mines ..	445.5	440.2	440.6	452.3	458.3	436.8	837.7
Ord. Div. Yield ..	4.86	4.80	4.81	4.75	4.72	4.70	4.91
Earnings, Yld.% (full)	12.17	12.03	12.06	11.91	11.90	11.75	11.42
P/E Ratio (net) (*)	10.04	10.15	10.13	10.25	10.34	10.39	10.52
Total bargains (Est.)	21,706	22,196	23,524	23,168	21,397	22,666	16,507
Equity turnover £m.	—	342.39	339.54	463.54	289.09	291.95	212.41
Equity bargains	—	20,401	24,929	27,622	16,065	18,340	13,650
Shares traded (ml)	—	140.6	177.2	230.1	151.1	160.7	134.7

10 am 954.4. 11 am 954.7. Noon 948.6. 1 pm 943.8.
2 pm 942.5. 3 pm 949.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest index 01-246 8026.
* Nil=9.72.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.17 (19/6)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int...	86.72 (21/6)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ...	1024.5 (22/1)	928.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	421.9 (10/6)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	June 24	June 21
Daily Gilt Edged Bargains...	116.0	121.6
Equities Bargains....	132.2	161.5
Value......	489.9	685.9
5 day Average Gilt Edged Bargains...	132.5	134.3
Equities Bargains....	139.1	139.1
Value.........	657.5	690.2

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 13,188

A=Ask B=Bid C=Call P=Put

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (16)

BRITISH FUNDS (1)
Treas 8½pc Cnv 85

COMMONWEALTH AND AFRICAN LOANS (1)
S. Rhodesia 4½pc 87-92 Assd.

BANKS (1)
Deutsche Bank

BUILDINGS (1)
Sindall (Wm.)

CHEMICALS (1)
Hoechst Fin 10pcLn 1990

ELECTRICALS (1)
Resource Technology

ENGINEERING (1)
Planet

FOODS (1)
Slaters Food

HOTELS (1)
Garfunkels Restaurants

INDUSTRIALS (1)
Gieves

LEISURE (1)
Samuelson

NEWSPAPERS (1)
Octopus Publishing

OILS (1)
Magnet Group

MINES (2)
Gem Exploration

NEW LOWS (203)

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. □ Introduction. ◦ Unlisted Securities Market. ‡ Placing price. †† Dealt in under Rule 535 (3).

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
British Telecom	171	−4
Burton	458	−10
French Kier	182	+16
GRE	715	−13
Jaguar	272	−4
Mitel Corp.	475	−50
Plessey	126	−2
Racal Elects.	156	−36
Royal Insurance	655	−11
STC	132	−4
Sun Alliance	458	−10
Trafalgar House	330	−12

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
June 24	July 5	Sept 26	Oct 7
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4

For rate indications see end of Share Information Service

Stocks favoured for the call included ICI, Premier Oil, Lex Service, British Telecom, Ryan International, Marks & Spencer, Dufay Bitumastic, London Investment Trust, Churchill, Balmoral, STC, Tozer Kemsley and Millbourn and British Aerospace. Put options were struck in Anchor Chemical, STC, Henry Ansbacher and Westland, while Vosper were dealt in for the double.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

[illegible]

† Partly-paid.

LONDON TRADED OPTIONS

[illegible]

June 25 Total contracts 12,193 Calls 5,526 Puts 6,668
* Underlying security price

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA (continued)

HONG KONG

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30pm
June 25

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 39

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Dura Mill	173	+11
French Kier	182	+16
Jackson Exp	35	+ 5
Mercury Sec	425	+25
Midsummer Inns	185	+10
Schroders	785	+20
Westland	73	+ 3

FALLS

Tr 10pc '04 (£30pd)	£29⁹⁄₁₆	−⁵⁄₁₆
AB Electronic	275	−20
Argyll Group	285	−10
BTR	333	−10
British Tel	171	− 4
Burton	458	−10
CPS Computer	48	−15
Cable & Wire	515	−20
Caledonian Off	500	−30
Comb Eng Stores	*138*	*−10*
Dixons Group	670	−17
Ferranti	116	−10
Lucas Ind	303	−12
Micro Focus	200	−40
Mitel Corp	475	−50
Pentland Ind	950	−75
Racal Elect	156	−36
Union Disc	640	−35

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

June 25	June 24	June 21	June 20	1985 High	1985 Low
110.46*	109.65	109.85	108.46	110.69 (6/6)	109.43 (4/1)

RISES AND FALLS

	June 24	June 21	June 20
Issues traded	1,881	2,004	2,007
Rises	880	1,028	709
Falls	555	534	800
Unchanged	446	444	488

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Dow Chemical	4,068,300	34⅞	− ½
Am Hsp. Supp.	2,302,300	39⅞	+2⅞
A T & T	2,297,300	24⅞xd	− ⅛
Hosp. Cpn. Am.	1,853,200	49	+1⅞
Bankers Trust	1,321,900	69	—
Citicorp	1,224,400	47⅞xd	+ ⅛
United Tech.	1,129,200	40⅞	− ⅞
IBM	1,125,100	120⅞	+1½
Nthn. St. Pwr.	1,111,000	50½	− ⅛
RCA	1,081,900	48⅞	+1⅞

TORONTO	June 25	June 24	June 21	June 20	1985 High	1985 Low
Metals & Minls	1,898.2*	1,882.9	1,886.2	1,884.3	2198.7 (13/2)	1896.8 (4/1)
Composite	2,714.5*	2,704.8	2,701.4	2,681.7	2786.1 (5/6)	2348.5 (8/1)
MONTREAL Portfolio	132.88*	132.84	131.83	132.48	135.56 (5/6)	117.88 (4/1)

* Indicates pre-close figure

NORWAY Oslo SE (4/1/83)	325.75	326.27	324.24	325.61	345.97 (3/6)	288.18 (2/1)
SINGAPORE Straits Times (1966)	798.47	792.44	794.58	(c)	852.65 (7/3)	764.58 (16/1)
SOUTH AFRICA JSE Gold (28/9/78)	—	1014.5	1060.5	1085.4	1140.6 (18/4)	955.1 (11/2)
JSE Indust (28/9/78)	—	977.0	977.7	972.8	977.7 (21/6)	787.1 7/3
SPAIN Madrid SE (28/12/84)	105.08	108.30	108.61	108.79	117.41 (4/2)	101.48 (2/1)
SWEDEN Jacobson & P (11/58)	1511.78	1514.77	(c)	1516.47	1486.98 (11/2)	1511.78 (25/6)
SWITZERLAND SwissBank Cpn. (31/12/58)	441.9	440.5	457.6	455.6	441.9 (25/6)	588.7 (8/1)
WORLD Capital Intl. (1/1/70)	—	215.1	212.7	211.5	214.5 (7/6)	184.8 (4/1)

** Saturday June 22: Japan Nikkei-Dow 12,729.6. TSE 1,016.03.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

Prices at 3pm, June 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
23½	16	AAR	.48	2.6	14	142	18⅝	18⅜	18⅜	−⅛
18¼	9⅝	AGS			12	112	14⅛	13⅞	14	
16½	8⅝	AMCA				2	10⅞	10⅞	10⅞	
21½	13¾	AMF	.50	2.7	55	7990	18½	18¼	18¼	−⅛
48⅛	24¼	AMR			11	3391	46¼	45⅛	46	+⅞
22⅞	18⅝	AMR pf2.18		9.8		20	22¼	22⅛	22¼	
25⅞	22⅞	ANR pf2.67		11.		262	24	24	24	+½
23	19	ANR pf2.12		11.		7	19¾	19½	19½	
14¼	7¾	APL				5	8¼	8⅛	8¼	
61⅛	44⅜	ASA		24.0		248	50¼	49⅞	50¼	+¼
27	12½	AVX	.32	2.4	11	381	14	13⅛	13½	+⅜
27⅛	16	AZP	2.72	9.9	8	1886	u27½	27⅛	27⅜	+⅜
58	36¾	AbtLab1.40		2.4	17	1420	u58⅝	57¾	57¾	
25⅞	18	AccoWd.50		2.2	17	128	22⅞	22⅝	22⅝	
24¾	12½	AcmeC .40		2.7		11	15¼	15	15	−⅛
10½	7⅝	AcmeE.32b		4.1	10	8	7⅞	7⅞	7⅞	
17½	15	AdaEx 1.92e		11.		63	17½	17¼	17⅜	−⅛
20	11⅞	AdmMl .32		1.9	7	20	17	16⅝	16¾	
19½	8⅝	AdvSys.53t		4.7	18	26	11¼	11	11¼	+⅛
41⅛	22⅛	AMD			11	6342	27	26	26⅝	+⅜
12¾	6⅞	Advest .12		1.4		185	8¾	8½	8⅝	
14⅝	9	Aerflex			12	195	13⅜	13	13⅜	+⅜
47	27¼	AetnLf 2.64		5.7	34	2669	46⅜	45⅞	46¼	+¼
57⅜	52¾	AetL pf5.79e		10.		126	55½	55¼	55½	+¼
37⅜	17⅞	Ahmns 1.20		3.5	14	235	34⅜	33½	34⅜	+½
3⅝	2½	Aileen				5	3	2⅞	3	+⅛
54	38⅝	AirPrd 1.20		2.2	12	755	u54¾	54	54¾	+¾
24⅜	13	AirbFrt .60		3.0	11	22	20	19⅞	19⅞	+⅛
2	1	AlMoa s				232	1¾	1⅝	1¾	
33½	26¾	AlaP pfA3.92		12.		6	33	32¾	33	+½

[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60	43	PhilE pf7.85		13.		z400	58½	57½	58½	+2
10¼	6⅝	PhilE pf1.28		13.		126	9⅞	9½	9½	+⅛
126	97	PhilE pf 17.13		14.		z400	122	121½	122	
115	87	PhilE pf15.25		13.		z100	113	113	113	
79	56	PhilE pf9.52		13.		z90	74	74	74	+2
74	51	PhilE pf9.50		14.		z170	71	69	69	−½
60½	44	PhilE pf7.80		13.		z300	59	58	59	+1
60	43½	PhilE pf7.75		14.		z10	56½	56½	56½	
23¼	15¼	PhilSub 1.32		6.0	13	13	22	21⅞	21⅞	−⅛
85⅛	67¼	PhilMr 4		4.7	11	4773	85¼	84	84⅞	
25	10⅝	Philpln .48		2.1	12	600	22⅝	22⅛	22⅝	+⅜
56¼	33⅝	PhilPet 3		7.9	8	2257	38	37½	37⅞	+⅜
18¾	11⅛	PhilP wi				1279	11½	11⅛	11½	+⅛
25⅝	22¾	PhilPt pf				29	22⅞	22⅞	22⅞	−⅛
28½	16¼	PhIVH .40		1.6	11	20	24⅝	24½	24½	
34⅝	23⅛	PiedA s .28		.9	9	327	33	32½	32¾	+⅛
34	23¾	PieNG 2.32		7.0	10	9	33¼	33	33	
22⅞	14⅝	Pier 1			13	201	21⅝	20¾	21½	+¾
58⅝	34½	Pilsbry 1.56		2.8	13	348	56	55⅝	55¾	−⅛
34	21¾	Pioneer 1.24		5.0	5	418	24⅞	24⅝	24¾	+¼
26¾	13½	PionrEl .17r		1.2		106	14½	14½	14½	−⅛
44⅝	27¼	PitnyB 1.20		2.7	13	771	u44¾	44¼	44⅝	−⅛
88½	55½	PitnB pf2.12		2.4		1	88	88	88	−½
12¾	9⅜	Pittstn				275	11⅜	11⅛	11⅜	+⅛
15¼	8⅝	PlanRs .20		1.4	16	166	13⅞	13⅝	13⅞	+⅛
13½	7	Plantrn .16b		1.8	13	66	9	8½	9	+⅜
13⅝	8⅞	Playboy			8	42	10	9⅞	10	
29¾	19½	Plessey .94e		4.5	13	1	21	21	21	
22¾	15⅞	PogoPd .60		3.5	32	98	17⅝	17⅛	17¼	−⅛
32⅞	24¼	Polarid 1		3.1	190	1623	u32⅞	32¼	32⅝	−¼
21½	10¾	Pondrs .40		.4	25	342	11¼	11	11¼	+⅛
21½	15	PopTal .80		4.1		20	19½	19⅜	19⅜	
19⅝	14⅝	Portec .42		2.2	68	286	19½	19⅛	19¼	
21⅞	13½	PortGE 1.90		9.0	7	278	21¼	21	21⅛	+⅛
24⅞	17½	PorG pf2.60		11.		2	23½	23	23½	

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		S S S								
50⅝	35⅛	SCM	2	4.3	13	68	46½	46⅛	46¼	
12½	8⅞	SL Ind	.22	1.9	10	27	11⅞	11⅝	11⅞	+⅛
31¾	18½	SPSTec .80		2.6	15	5	30⅞	30¾	30¾	+⅛
20	15	Sabine .04		.3	31	2484	16	15⅜	15¾	+⅜
21⅝	16	SabnRy 2.68e		15.		219	17⅞	17½	17¾	+⅛
18¼	11⅜	SigdBs .30		1.8	16	81	16⅞	16¾	16¾	
10	5⅝	SigdSc			25	15	9½	9⅜	9⅜	
2⅞	1¼	SigdS wt				10	1⅝	1⅝	1⅝	
34¼	21⅝	SafKln s .40		1.2	23	319	33¾	32¼	33½	+¾
34⅝	22¾	Safewy 1.60		4.7	11	3955	u34⅞	33⅝	33⅞	+¼
35½	24½	Saga .52		2.0	11	194	26½	26¼	26⅜	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
3	1	Tosco				348	2⅞	2¾	2¾	−⅛
19¼	8¼	Towle				55	9	8⅞	8⅞	−⅛
40⅝	25¼	ToyRU s			30	1087	40	39¼	39⅞	+⅜
28¼	17½	Tracr s .32		1.4		522	22½	22	22½	+½
20¾	8⅛	TWA			77	1517	19⅜	19¼	19¼	−⅛
15¼	11⅝	TWA pf 2.25		15.		83	15	14⅝	14¾	−¼
30⅝	17⅞	TWA pfB2.25		7.6		400	29½	29⅜	29½	+⅛
32⅜	20⅞	Transm1.84		5.1	14	300	32⅛	31¾	31⅞	−¼
21⅞	16¾	Tranlnc2.22		11.		21	21½	21	21	−¼

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
51⅜	33¼	Xerox 3		5.8	22	4483	u52⅛	[illegible]	[illegible]	[illegible]
54½	45¾	Xerox pf5.45		10.		8	53⅝	[illegible]	[illegible]	[illegible]
30¼	24	ZaleCp 1.32		4.7	9	11	28	[illegible]	[illegible]	[illegible]
21½	9⅜	Zapata .84		8.7	19	823	9⅞	[illegible]	[illegible]	[illegible]
56	25	Zayre s .48		.9	18	663	u56⅝	[illegible]	[illegible]	[illegible]
30	18⅛	ZenithE			8	1805	20⅝	[illegible]	[illegible]	[illegible]
21⅞	15⅝	Zero s .32		1.8	15	486	18¼	[illegible]	[illegible]	[illegible]
35¼	22	Zurn In 1.32		3.8	12	27	34⅜	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

Prices at 3pm, June 25

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Record level on demand for durables

INVESTORS took a decidedly bullish view of the U.S. economy's outlook yesterday, after the release of figures on durable goods orders in May sending the stock market to a record level, *writes Terry Byland in New York.*

Defence stocks, which will participate heavily in the 4.1 per cent jump in demand for durable goods through military orders, were keenly sought.

After announcing a major deal with MCI Communications with implications throughout the U.S. telecommunications industry, IBM was trading at $122½ to $1⅝ up on the day. MCI was suspended at $8, unchanged after heavy trading on the Nasdaq over-the-counter market.

At 2pm the Dow Jones industrial average was up 12.55 at 1,333.11.

The previous record was 1,327.28 set on June 6.

The growth in durable goods orders also caused a brief rally in bond prices, however, they later turned ahead of the first three auctions of Treasury securities to be held this week.

The signs of renewed strength in the U.S. economy, indicated in last week's flash estimate of GNP growth in the second quarter and yesterday's durable goods figures, restored Wall Street's confidence in the trend of corporate profits. The next hurdle comes on Friday when the Commerce Department discloses its latest leading economic indicators.

AT&T added $⅜ to $24½ after disclosing new models compatible with IBM mainframes but still not, according to industry analysts, a serious threat to IBM.

Also strong was Digital Equipment, $2¾ up at $94¼, Honeywell $1 up at $61½ and NCR $⅝ up at $30½. Among the personal computers, Apple, which had been rumoured as a possible target for a bid from AT&T, added $⅝ to $17⅞, despite an AT&T denial.

Among those expected to benefit from the upsurge in defence orders, General Dynamics gained $⅞ to $75⅝, Boeing $⅞ to $44⅜ and Lockheed $¾ to $51⅞. United Technologies moved $⅝ higher at $40⅝ despite Monday's warning on profits.

But the weak spot was the motor sector, where General Motors at $72½ and Ford at $44⅞ were unchanged after the latest sales statistics from the industry.

In the financial sector, American Express added $⅞ to $49⅝ as the resignation of Mr Sanford Weill, the president, and restructuring of the troubled Fireman's Fund Insurance subsidiary, was received positively in the stock market.

Other banking stocks held firm, despite references to the "serious, potentially dangerous" situation among the agricultural banks from Mr Emmett Rise, governor of the Federal Reserve.

There was a strong rebound in airline stocks, which could benefit both from lower fuel costs and an upswing in business travelling as the economy strengthens. United jumped $1¼ to $53⅞, while domestic rivals, American added $⅞ to $46 and Delta $¾ to $47¼. However, Eastern slipped $¼ to $8¼ despite the board's forecast of profitability in the second quarter. Eastern stockholders refused to support the board's anti-takeover proposals.

In takeover stocks, General Foods was in demand again, despite another "no comment" from the senior vice-president as both stock and stock option prices soared. At $82, the issue gained $1¾. Rumours have named Phillip Morris, the cigarette manufacturer, as a possible bidder.

American Hospital Supply (AHS) added $¼ to $27½ after the board rejected Baxter Travenol's $3.6bn offer and stuck to its acceptance of a previous bid from Hospital Corp of America – down $1⅝ at $47½.

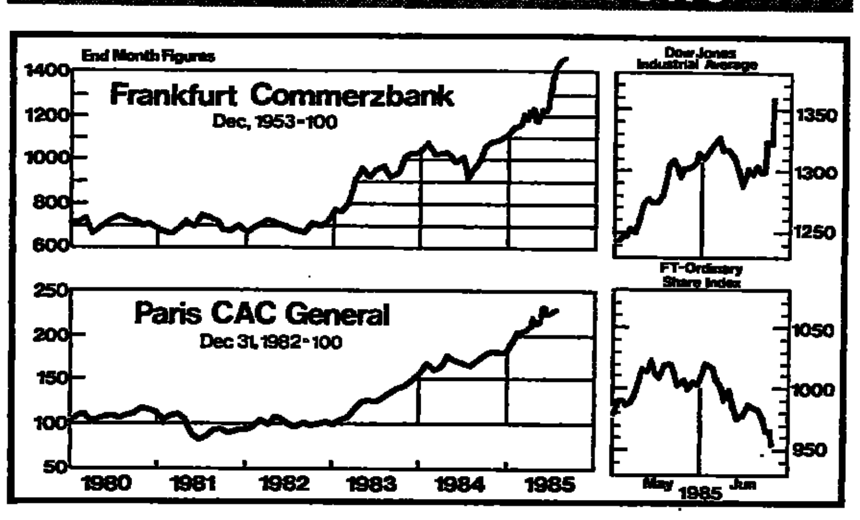
By mid-session, the strength of the equity market was rubbing off onto the stocks of the Wall Street traders themselves. Merrill Lynch, the major retail brokerage house, jumped $1 to $31⅝ in heavy trading. Phibro-Salomon added $½ to $41¾.

Utility stocks were slightly easier, reflecting their status as an interest rate-orientated sector. With heavy capital commitments to finance, utility issues rose strongly when Wall Street was promising itself a cut in the federal discount rate, and eased yesterday with the bond market.

The bond market abandoned its attempt to rally and slipped lower again at midday, when the Treasury auction started. Near-term yields have already risen strongly since Thursday, but further rises may be necessary to facilitate the sale of this week's batch of new Treasury securities.

With the federal funds still firm at 7 9/16 per cent and Treasury-bill rates sharply higher at the weekly auction, money market rates continued to move up yesterday.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 25	Previous	Year ago
NEW YORK			
DJ Industrials	1,333.11*	1,320.56	1,130.52
DJ Transport	654.26*	646.89	476.13
DJ Utilities	164.44*	165.01	124.81
S&P Composite	190.73*	189.15	153.97
LONDON			
FT Ord	952.1	965.2	803.9
FT-SE 100	1,248.3	1,266.6	1,033.1
FT-A All-share	604.08	612.99	485.45
FT-A 500	658.43	668.86	528.98
FT Gold mines	445.5	440.2	637.7
FT-A Long gilt	10.62	10.57	10.94
TOKYO			
Nikkei-Dow	12,765.93	12,765.95	10,172.5
Tokyo SE	1,017.20	1,017.20	780.16
AUSTRALIA			
All Ord.	860.8	857.4	661.9
Metals & Mins.	512.5	510.5	426.4
AUSTRIA			
Credit Aktien	102.37	102.54	54.07
BELGIUM			
Belgian SE	2,318.13	2,327.45	—
CANADA			
Toronto			
Metals & Minls	1,899.2*	1,882.9	1,925.0
Composite	2,714.6*	2,704.8	2,238.7
Montreal			
Portfolio	132.68*	132.04	109.95
DENMARK			
SE	194.97	193.80	181.41
FRANCE			
CAC Gen	229.0	228.2	170.5
Ind. Tendance	129.0	128.6	89.7
WEST GERMANY			
FAZ-Aktien	484.21	484.01	343.16
Commerzbank	1,433.2	1,429.0	988.4
HONG KONG			
Hang Seng	1,575.15	1,561.13	936.37
ITALY			
Banca Comm.	336.24	336.75	212.07
NETHERLANDS			
ANP-CBS Gen	211.0	210.6	154.3
ANP-CBS Ind	174.8	174.4	122.9
NORWAY			
Oslo SE	325.75	326.27	241.10
SINGAPORE			
Straits Times	793.47	792.44	905.04
SOUTH AFRICA			
JSE Golds	—	1,014.3	972.0
JSE Industrials	—	977.0	941.9
SPAIN			
Madrid SE	105.09	106.30	85.83
SWEDEN			
J & P	1,311.70	1,314.77	1,484.37
SWITZERLAND			
Swiss Bank Ind	441.9	440.5	358.5
WORLD	June 24	Prev	Year ago
Capital Int'l	213.1	212.7	175.3

GOLD (per ounce)

	June 25	Prev
London	$316.50	$315.00
Zürich	$315.50	$315.00
Paris (fixing)	$315.30	$314.40
Luxembourg	$316.25	$315.50
New York (Aug)	$318.10*	$317.90

* *Latest available figure*

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	June 25	Previous	June 25	Previous
$	—	—	1.2855	1.2865
DM	3.07	3.0705	3.9425	3.95
Yen	248.95	248.8	319.5	320.25
FFr	9.3525	9.3525	12.0	12.045
SwFr	2.57	2.565	3.3	3.3025
Guilder	3.46	3.46	4.4425	4.455
Lira	1,955.5	1,957.0	2,510.0	2,518.0
BFr	61.75	61.8	79.3	79.55
C$	1.3645	1.3665	1.7535	1.7585

INTEREST RATES

	June 25	Prev
Euro-currencies (3-month offered rate)		
£	12 9/16	12 9/16
SwFr	5⅛	5 7/16
DM	5⅝	5⅝
FFr	10⅛	10⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	8	7⅞
6-month U.S.$	8⅛	8⅛
U.S. Fed Funds	7 9/16*	7⅝
U.S. 3-month CDs	7.60*	7.50
U.S. 3-month T-bills	7.09*	7.06

U.S BONDS

Treasury		June 25* Price	Yield	Prev Price	Yield
8¼	1987	99 9/32	8.97	99 17/32	8.90
11⅞	1992	106 7/32	10.434	106 25/32	10.34
11¼	1995	104 17/32	10.496	104 31/32	10.43
11¼	2015	105 9/32	10.667	105 25/32	10.614
Corporate		**June 25***		**Prev**	
AT&T		Price	Yield	Price	Yield
10⅜	June 1990	101⅛	10.05	101⅞	9.95
3⅞	July 1990	79½	9.00	81⅛	8.60
8⅝	May 2000	83⅞	11.10	84⅞	10.90
Xerox					
10⅞	March 1993	99⅝	10.70	100⅛	10.60
Diamond Shamrock					
10⅝	May 1993	99⅝	10.80	100	10.70
Federated Dept Stores					
10⅞	May 2013	91.544	11.65	94⅞	11.30
Abbot Lab					
11.80	Feb 2013	101.625	11.60	105⅛	11.20
Alcoa					
12⅛	Dec 2012	101.104	12.10	104⅜	11.80

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	75-16	75-25	75-04	75-21
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.64	92.70	92.53	92.68
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.45	92.45	92.45	92.50
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.66	91.70	91.58	91.69
20-year Notional Gilt £50,000 32nds of 100%				
Sept	106-16	106-26	106-22	106-22

COMMODITIES

(London)	June 25	Prev
Silver (spot fixing)	477.35p	474.85p
Copper (cash)	£1,099.50	£1,108.50
Coffee (July)	£1,937.00	£1,962.00
Oil (spot Arabian light)	$27.00	$26.90

LONDON

Electronics contribute to weak tone

HEAVY SELLING of electronic and high-technology issues brought marked weakness to London yesterday.

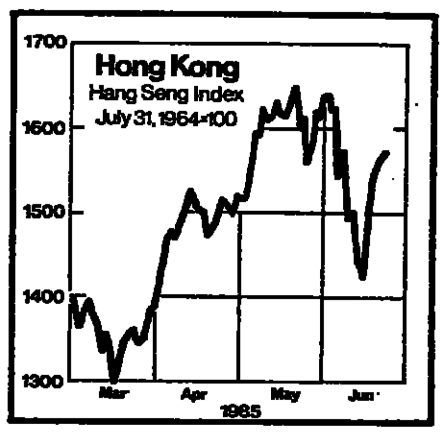
By mid-afternoon, the FT Ordinary share index was 22.7 down and threatening to record the largest-ever closing loss in point terms, but it subsequently rallied to close 13.1 lower at 952.1, the second lowest level of the year.

Racal, 35p lower at 156p, warned of lower profits for the current six months and this proved too much for the recently unfashionable electronics sector.

A tentative recovery in the market followed news of last month's 4.1 per cent rise in U.S. durable goods orders.

Government securities eased after the U.S. news which dampened hopes of lower interest rates. Sterling's late stability against the dollar encouraged small demand in this sector, however, and falls were reduced to minimal proportions.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34-35



HONG KONG

PROFIT-TAKING in Hong Kong eroded early gains but most issues ended the day marginally higher.

The Hang Seng index, which rose more than 26 points during the first hour, fell back to close 14.02 higher at 1,575.15.

China Light, up 40 cents at HK$15.90 and Hongkong Electric, 25 cents higher at HK$8.30, dominated early trading as rumours of a possible merger circulated.

Bank of East Asia rose 30 cents to HK$24.50, Hongkong and Kowloon Wharf 10 cents to HK$6.10 while against the trend, Jardine Matheson shed 10 cents to HK$11.30.

AUSTRALIA

METAL MINING issues proved popular in a mixed to firmer Sydney where volume was low as institutions withdrew ahead of the financial year end.

MIM continued to gain, adding another 2 cents to A$2.87, Western Mining rose 3 cents to A$3.90 and BHP put on 10 cents to A$6.32.

CRA added 10 cents to A$5.98, Renison Gold was 5 cents higher at A$4.95 while Bougainville lost 3 cents at A$2.02.

News Corp fell 20 cents to A$2.40 on continued uncertainty over Mr Rupert Murdoch's bid to buy television stations from Metromedia of the U.S.

SINGAPORE

BARGAIN HUNTING alternated with profit-taking in a slightly mixed Singapore after fairly moderate trading.

Banks were unchanged to lower with DBS steady at S$6.00, OUB 4 cents down at S$3.06, UOB off 6 cents at S$4.06 and OCBC constant at S$9.00.

Pan-Electric, actively traded for yet another session, dropped 6 cents to S$2.45 after 934,000 shares changed hands.

EUROPE

Tone alters amid consolidation

LATE TRADING in Frankfurt yesterday saw what many observers believe is the start of a consolidation of sharp gains registered during the past two months.

For the second consecutive day volume declined, compared with recent levels, as investor concern spread about the market's ability to maintain the momentum.

The tone altered noticeably during the afternoon when selling pushed prices lower. However, the Commerzbank index, measured at mid-session, recorded a 4.2 rise to 1,433.20 – another record – reflecting tentative morning buying.

Most of the selling was inspired by profit-taking in response to the substantial improvements posted recently and was seen as heralding a long awaited consolidation phase.

The sharp price swings recorded by a broad range of stocks was best demonstrated by Deutsche Bank's performance. After moving up to a high for the day of DM 609 it dropped back to DM 593 before ending DM 4 higher at DM 597.

Other banks closed easier after initial small gains, with Dresdner ending DM 1.50 lower at DM 230 and Commerzbank off DM 2.30 at DM 199.50.

Allianz, one of the market's favourites during recent weeks, was the subject of concerted profit-taking and ended DM 40 lower at DM 1,525.

Automotive stocks also felt the weight of selling pressure. Volkswagen closed down DM 10.50 at DM 315 and Daimler-Benz slipped DM 7 to DM 850. Porsche moved against the trend again to firm DM 15 to DM 1,475.

Engineering stocks also eased. Thyssen fell DM 2.70 to DM 112 and Hoesch was 90 pfg down at DM 111.50. Utilities group Veba eased 50 pfg to DM 217, after reaching a high of DM 220, while Holzmann added DM 12 to DM 487 despite company fears that it would return lower earnings for the current year.

Bond trading was quiet and prices were barely changed.

Wall Street's overnight decline and a stronger franc formed the background to mixed trading in **Paris**, although turnover remained relatively high.

Michelin suffered early profit-taking after Monday's gain, but managed to close FFr 10 higher at FFr 1,220 as investors again expressed confidence in the company's expectation that it would break even this year.

Peugeot moved independently and closed FFr 4 lower at FFr 416 in a generally weaker automotive sector.

Profit-takers were also at work in Skis Rossignol stock following its repeated improvements. The shares dropped FFr 60 to FFr 1,590.

Moët-Hennessy stood out among drinks stocks with a further FFr 15 advance to FFr 1,980 as Pernod fell FFr 8 to FFr 770 and Perrier FFr 7 to FFr 545.

Brussels was sluggish, with most stocks edging marginally lower. The exception was Petrofina, the country's largest company, which gained BFr 70 to BFr 5,750.

The retailer Delhaize declined for the second consecutive day on profit-taking and lost BFr 180 to BFr 8,560.

Banks and financial holding stocks were generally weaker with Société Generale de Belgique falling BFr 25 to BFr 1,815.

Amsterdam prices were generally firm, and there were few major price movements. A degree of weakness, which showed during the afternoon, did little more than knock prices off their peaks for the day.

Royal Dutch/Shell firmed Fl 1 to 196.80 after improving Fl 1.40 during the morning while Unilever was 70 cents higher at Fl 350 and Akzo 50 cents up at Fl 106.80.

Trading was active in **Zurich** but prices closed steady.

Crédit Suisse added SwFr 70 to SwFr 2,830 in a generally stronger banking and financial sector while UBS firmed SwFr 30 to SwFr 4,060 and Bank Leu SwFr 45 to SwFr 3,875.

Prices in **Stockholm** continued lower, although volume managed a slight increase.

Madrid suffered a steep decline in reaction to the market's recent strength. **Milan** was hit by early profit-taking but staged a late recovery.

TOKYO

Peak hit as buying focus narrows

PRIVATE investors stepped up buying of medium and low-priced incentive-backed stocks in Tokyo yesterday, pushing the Nikkei-Dow market average to an all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital stocks suffered from neglect by institutional investors, reflecting a rise in U.S. long and short-term interest rates. However, a leading broker said incentive-backed issues are not likely to replace large capital stocks as the centre of market support in the longer term.

The market indicator gained 71.09 to 12,837.02, exceeding the previous high of 12,790.27 registered last May 30. Trading was slow overall but volume rose to 363m shares from Monday's 246m.

Gains outnumbered losses 444 to 357, with 149 issues unchanged.

Individual investors sought biotechnology, asset-heavy, non-life insurance and property stocks. This strategy was apparently in anticipation of price rises today, when brokerage houses will start trading of stock due for delivery next month.

Keisei Electric Railway topped the active list with 16.92m shares changing hands, as it added Y6 to Y465. Investors apparently saw prospects for growth in the company's property holdings. Among other asset-heavy stocks, Tokyo Tatemono advanced Y31 to Y860 and Seibu Railway Y60 to Y1,690.

Teijin jumped Y13 to Y491 on the third heaviest turnover of 10.02m shares, reflecting brisk demand for polyester film and its move into biotechnology. Taiyo Fishery closed Y10 higher at Y309, while Snow Brand soared Y21 to Y570 and Mitsubishi Chemical Y19 to Y534.

Mochida Pharmaceutical shot up Y500 to Y10,100 and Dainippon Pharmaceutical Y110 to Y3,760. However, trading volume was low.

Large-capital Nippon Steel was second on the active list with 14.27m shares, but dipped Y2 to Y164. Mitsubishi Heavy Industries and Nippon Yusen edged up Y1 each to Y328 and Y305, respectively.

Major brokers said corporate buying of large-capital stocks cannot be expected unless U.S. interest rates start declining again. Buying is likely to centre on medium and low-priced incentive-backed issues in the meantime, they said.

Bond prices eased off in lacklustre trading. The yield on the barometer 7.3 per cent government bonds maturing in December 1993 rose from 6.445 per cent Monday to 6.460 per cent.

SOUTH AFRICA

FEW SHARES ended changed in a dull Johannesburg and some golds drifted lower as the bullion price remained relatively steady.

Randfontein dropped R2 to R196 and President Steyn R1 to R50. Cheaper issues moved up to 20 cents either way.

Mining financials and other mining issues were little changed. However, De Beers, the diamond group, shed 10 cents to R10.50 while Rustenburg Platinum added 5 cents to R18.85.

Industrials remained steady in quiet trading.

CANADA

AFTER A sluggish session on Monday, Toronto yesterday moved higher on more active trading.

Bell Canada led the actives, gaining C$¼ to C$44, Dome Petroleum rose 7 cents to C$2.80, Husky Oil was unchanged at C$9⅝ while Bank of Nova Scotia slid C$⅛ to C$13⅞.

Energy issues firmed in reaction to Monday's announcement by the Alberta Government to reduce royalties and create tax breaks for the oil industry.

FINANCIAL TIMES SURVEY

FRANCE

Next year's elections will probably result in France, for the first time, having a President in conflict with the majority in the National Assembly. Such a result could hamper the substantial progress already made in stabilising the economy

Political future uncertain

BY DAVID HOUSEGO IN PARIS

A pensive President Mitterrand (picture by Roger Taylor): pondering the next alignment in the National Assembly.

IN THE French corridors of power the familiar padding of feet can now be heard that normally precedes a change of government.

Trades unionists are hastening to patch up agreements with the employers' federation over redundancy conditions before a right-wing administration imposes on them terms far less acceptable.

The more profitable nationalised banks are getting discreet inquiries from investors interested in taking a stake in them once they are privatised. Senior civil servants are quietly taking soundings about their career prospects.

The most common assumption in Paris is that the parliamentary Right—the combination of the neo-Gaullist RPR of M Jacques Chirac and the centrist UDF—will gain an absolute majority of seats in the National Assembly in next March's parliamentary election.

The market research institute Sofres now puts the Right's majority at 36 seats on the basis of public opinion polls and proportional representation.

But the result is by no means a foregone conclusion. If the Socialist party could push up its share of the vote from its present level of 26 per cent to 30 per cent and establish itself as the major party in the National Assembly, then it would leave room for President Mitterrand to try and negotiate a centrist coalition of which the Socialists would be a part. But it will be an uphill struggle to achieve such a goal in face of both the tough campaigning of the Right and the hostility of the Communists.

And the Socialists have badly damaged their hopes by the conflict that broke out this month between Laurent Fabius, the Prime Minister and Lionel Jospin, the First Secretary of the party, over the running of the election campaign.

The chances are, therefore, that France will be entering unknown terrain next year with, for the first time, a President of the Republic in conflict with the majority in the National Assembly. The danger is that this will bring a period of political uncertainty that could undermine progress already achieved towards stabilising the economy and set back further the restructuring of industry that is now under way.

Bitter fight

In what is likely to be a bitterly fought election campaign, there is at least one thing on which both Left and Right can agree — that the four years of Socialist rule have been a period of considerable change in France.

The Socialists came to power in 1981 bringing with them a rather old-fashioned mixture of generous-hearted Socialism and Marxism that had been forged in the early 1970s and consolidated in an alliance with the Communists. M Michel Rocard, the former Minister of Agriculture, called it "archaic" at the time—and so it proved.

The French Socialists were the first socialist movement to take office in the wake of the recession that followed the second oil shock with the result that those that followed—the Spanish, Australian or New Zealand parties—were able to benefit from their experience.

Since 1983, President Mitterrand's Government has joined ranks with other major western industrialised economies in giving priority to reducing inflation, cutting the trade deficit and introducing more market-oriented policies. The French Socialists like the Italian Socialists have succeeded in halting the automatic indexation of wages—for the first time since 1958 hourly wage rates in France rose last year at a slower rate than inflation.

They have brought back into favour words like "profit" and "business," which once had overtones of class conflict in the dictionary of the Left.

From initially being advocates of more active state intervention, they have swung round to believing that the state should absorb less of the country's wealth through taxation and that its role should be reduced. M Laurent Fabius, the Prime Minister now barely mentions socialism in his speeches.

Similar major changes have been occurring on the French right. Former President Giscard d'Estaing, speaking at the "liberal" convention in Paris this month, justified his own record in the 1970s of rising taxation and increased state intervention, by saying that "liberal" (market oriented) policies had not been possible in an inflationary period.

Now, having taken stock of their own "dirigiste" policies at the time which the Socalists then carried further, the French Right is pushing in entirely the opposite direction. The programme of lower public spending and lower taxation, of business deregulation and denationalisation, with which they are entering the election campaign goes in many ways further than President Reagan or Mrs Thatcher because France has no recent history of liberalism. Paradoxically it also comes at a time when Reaganomics is falling out of favour in the U.S.

The financial director of a major French group says that he voted Socialist in 1981 because he feared then that if the Right—which had already been in power for 23 years—had continued in power, there would have been a risk of a social explosion in France.

It was a judgment that reflected the often tense relations at the time between unions and employers, and between social classes.

In the event, there has been no social explosion. France has not even had its equivalent of the British miners' strike—though not for lack of trying by the Communist-led CGT union. In fact over the past four years there have been relatively few major labour disputes.

Instead a broad consensus has begun to emerge—as recession has forced acceptance of economic realities—on the need for companies to make profits and for industry to adapt to remain competitive. It is a consensus that embraces as well a growing distrust of ideology, of state interference and of ageing monoliths like the trades unions or the broadcasting networks.

It has made itself felt more often through large popular gatherings—like the 1m people who marched through Paris last year in defence of private schools or the tens of thousands of young people who this summer paraded in the Place de la Concorde in favour of racial tolerance — than through political parties.

None the less it is a consensus that both Left and Right are seeking to exploit to their advantage. It is the basis of the large social democrat movement that M Fabius and M Mitterrand would like to rally around them as they attempt increasingly to occupy the middle ground.

It is also the basis of M Giscard d'Estaing's "liberal" programme that he hopes will win the support of "two Frenchmen out of three"—the

CONTINUED ON PAGE 2

Parties prepare battlegrounds

Politics
DAVID HOUSEGO

FEW French people have as yet grasped the immense changes in the political landscape that now seem on the horizon. The Fifth Republic that de Gaulle founded in 1958 has always worked on the principle that executive power stemmed from a strong President who was backed by a majority in the National Assembly. In the event of a right-wing victory next year, the centre of gravity of power would shift back to the National Assembly.

The prospects for a return to a parliamentary style regime have been enhanced by the government introduction of proportional representation as the voting system for next March's elections. The result will be to produce a National Assembly that more closely mirrors the divisions within the nation—and one which if the Right fails to achieve an absolute majority will allow President Mitterrand to manoeuvre between the different factions in an effort to form a coalition. President Mitterrand had plenty of experience of this process as a young politician in the Fourth Republic.

Under the existing winner-takes-all voting system, the Socialist party (which currently has an absolute majority of seats in the National Assembly but only 26 per cent of the votes in the country) would be reduced to a rump in the Parliament. The Socialists' goal is to push their share of the vote up to 30 per cent.

At that level the mechanisms of proportional representation would deprive the Right of an absolute majority in the Assembly. It would then be up to President Mitterrand to see whether he could build a majority around a Prime Minister who was acceptable both to the Socialists and to the moderate right — thus re-establishing what is increasingly being called in France a "third force" government which has many precedents in the history of the Third and Fourth Republics.

The Socialists have still not made up their minds about what style of election campaign to fight. The quarrel between Lionel Jospin, the First Secretary of the party, and Laurent Fabius, the Prime Minister, opposes two different philosophies and strategies. M Jospin's vision of the party is one that anchors it firmly to the Left in the tradition of European socialist and social democrat movements and leaves open the possibility of a reconciliation with the Communists. For him the fundamental question is how the socialist movement can maintain its traditional values while remaining in government.

M Fabius believes that French society has become more liberal and that the party must adapt its doctrine accordingly — responding to its fears over adequate social protection while meeting its demand for more freedom of choice. The Prime Minister thus feels that the party must widen its appeal away from its traditional electorate to encompass voters on the centre and even parts of the right.

It would thus provide the political backing for the type of consensus policies on which M Fabius based his administration.

The bulk of the militants who feel they have already been subjected to too many U turns since the Left came to power, have no wish to go this far. M Pierre Mauroy, the former Prime Minister, is determined for instance, to preserve its Socialist identity and believes that the party would turn again leftward if defeated in 1986.

Shifts of policy

On the Right, the neo-Gaullist RPR of M Jacques Chirac and the centrist UDF have accomplished as substantial a shift of policies out of power as the Socialists have while in office. Differences of emphasis among them remain, but they are now committed to taking the same path of diminishing state intervention and of increased emphasis on competition and the play of market forces as has been adopted by the other main conservative parties of Europe and the U.S.

The draft programme that was presented to the "liberal convention" that former President Giscard d'Estaing organised earlier this month draws much of its inspiration from the policies of Mrs Thatcher and President Reagan.

It provides for an extensive programme of denationalisation, beginning with the banks and insurance companies; the lifting of price and exchange controls; the abolition of current regulations requiring employers to get official permission before declaring greater redundancies; more flexibility for companies over the conditions under which they take on labour and how much they pay; the transformation of the Bank of France (the Central Bank) into an institution with comparable independence to the Bundesbank; more decentralisation in schooling and more competition amongst universities; and a weakening of the monopoly of technocrats in the administration by the bringing in of outsiders.

Strong differences still remain within the Opposition on how to carry out these policies and on how to deal with the novel situation that could arise in 1986 of a right-wing majority in the Assembly faced by a Socialist President. Over economic policy M Raymond Barre, the former Prime Minister, believes that the right must give first priority to cutting the Budget deficit so as to free resources for investment in industry. The RPR favours early tax cuts as a way of injecting fresh dynamism into the economy.

With proportional representation the Communists can hope to preserve a substantial block of seats in the National Assembly which they risked losing under the existing system. Since leaving the government in July of last year, they have increasingly hardened their criticism of the Socialists —shifting from a position in which they judged the government's record as "overall positive" to one in which the Socialists are portrayed as being in league with the right against the interests of the working class.

The aim of this shift is to prepare the party for the day the Right returns to power—when the Communists would hope to recover their old position as the most militant supporters of working class interests against the "new conservatives." To reinforce this image, the Communists resorted to tactics this month which they have not used since after the war. They drew the French riot police into a major clash at the SKF ballbearings plant at Ivry outside Paris—a day of violence designed to show the Communists defending the working class against a repressive Socialist regime.

The new phenomenon which has emerged over the last year in French politics has been the resurfacing of an extreme Right under the National Front of M Jean-Marie Le Pen.

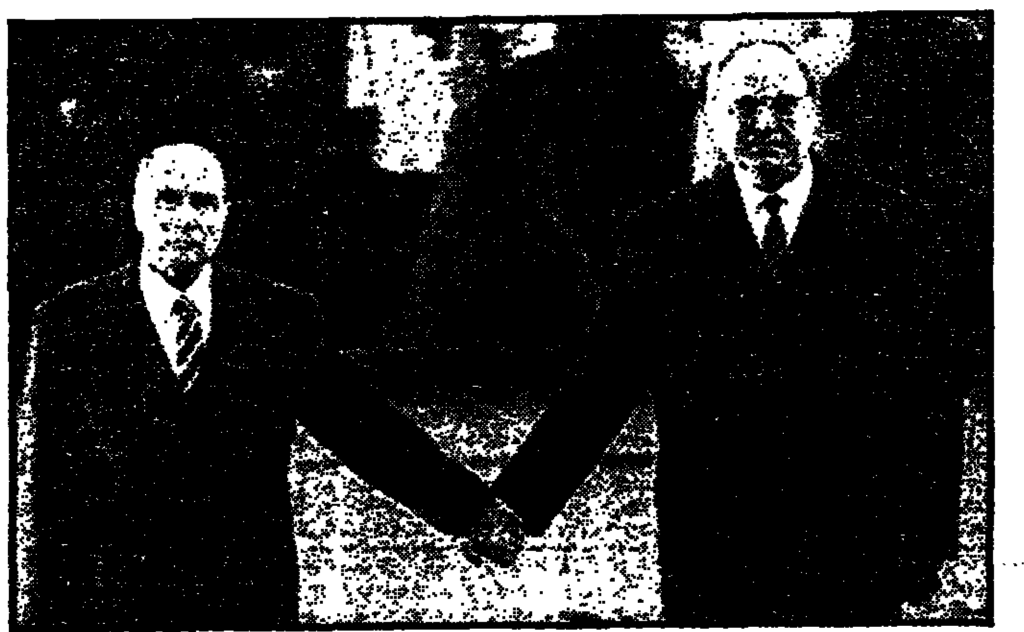
The Front campaigns on a racist platform that depends on giving voice to French hostility to immigrant Algerian and Moroccan workers who have crowded into many of the northern towns as well as the coastal areas of the Midi. It gained just under 10 per cent of the vote during the cantonal elections in March and is hoping for a larger score in the National Assembly elections—where proportional representation will obviously favour it.

Nonetheless, the Front is unlikely to get more than 20-30 seats in the Assembly because its strength is concentrated in a few regions while in others it is absent. M Le Pen hopes that the Front will have a pivotal position in the next Parliament, the major right wing Parliamentary parties have said, however, that they will not take the Front into a government.

Laurent Fabius, the Prime Minister and (right) Lionel Jospin, the First Secretary of the party. Conflict between them over the running of the election campaign has badly damaged the hopes of the Socialists

European unity under a strain

Foreign policy and Defence
DAVID HOUSEGO



In harmony at Verdun. President Mitterrand and West German Chancellor Helmut Kohl clasp hands during a ceremony commemorating victims of World War I.

FOREIGN POLICY and defence are two areas in which President Mitterrand will still be able to exert considerable control if, as expected, the opposition gains a majority in the National Assembly next year.

Yet, although concensure has in general operated in both areas since the Left came to power, recent events have weakened some of the supports on which the President's policies have been based.

● France's relations with West Germany have come under fresh strain as a result of squabbles over the EEC and a loss of confidence in Paris in Chancellor Kohl. In turn, this has put a damper on President Mitterrand's ambitious plans for strengthening European unity.

● Franco-U.S. relations have, equally, turned downwards — in contrast with the warmth that President Mitterrand brought to France's membership of the Atlantic Alliance when he came to power.

● Potentially the most important change is the first sign of a calling into question of the credibility of the French defence doctrine over the past 30 years. Factors that have pushed in this direction include the U.S. Strategic Defence Initiative (SDI) and new advances in weapon technology.

Some of these problems will no doubt disappear with time: Franco-German ties inevitably suffer from the ups and downs of domestic political pressures in each country. It is equally clear that the potential conflict between a Socialist President and a right-wing dominated National Assembly could leave decision taking in foreign affairs in limbo after March—particularly when unpopular decisions involving concessions in the EEC or increased defence expenditure are involved.

The immediate causes behind the difficulties with West Germany stem from personal disenchantment in Paris with Chancellor Kohl. "It is more difficult to get Kohl to stick to his position than to nail a cake to a wall," a senior French minister said recently.

The French were flabbergasted that the Chancellor publicly announced his support for the U.S. position at the Bonn summit over SDI and a new round of trade negotiations even before the summit talks had opened.

Frustration

To irritation over this has been added frustration at West Germany's tenacious defence of its national interests in EEC disputes over cereals and car exhaust standards, in defiance of brave German words about European construction. The French have long been irritated as well that German economic growth depend almost entirely on exports — including exports to France—and that the German Government is still resisting pressures to stimulate domestic demand through accelerated tax cuts.

A more fundamental reason for the strain in relations lies in the ambivalence of French attitudes towards West German security. In reviving the virtually defunct Elysée Treaty of 1963 which provided for continuing military and security consulations, by creating a Rapid Deployment Force which could intervene more quickly on German soil, President Mitterrand's intention was to demonstrate a greater French commitment to the defence of her neighbour.

He has drawn back from giving a firm answer to what for the Germans is the only real issue—would France consider an attack on West Germany equivalent to an attack on its own country, and one that triggered the same mechanism of flexible nuclear response.

An increasing number of French defence thinkers are arguing that France must now accept the logic of *its* arguments over European unity and make its line of defence the Elbe rather than the Rhine.

With the friction in Franco-German relations, President Mitterrand's hopes that major steps could be taken this year over European political integration — and possibly over European Defence and monetary affairs as well — have gone out of the window.

President Mitterrand shares his predecessor, General de Gaule's ambitions of a strong Europe (based on the Franco-German axis) able to hold its own in the world against the superpowers — and to compete worldwide in terms of industry and technology.

It was clear that when earlier this year he stood at Verdun clasping hands with Chancellor Kohl he was still harbouring hopes that, like de Gaulle and Adenauer, he and Chancellor Kohl would be able to announce historic developments this year. These hopes were founded on the spadework done at the Fontainebleu summit in removing EEC Budget disputes and in subsequently obtaining agreement on enlargement.

French sights are now more modestly set on high-technology collaboration through Eureka. Underlining this shift in stance is the French desire that Eureka be a "variable geometry" project with a minimal involvement by the Commission and with minimal Community budgeting.

The quarrels with the U.S. over SDI and the opening of a new round of Gatt negotiations mark a return to traditional Gaullist fears of European interests being sacrificed by the U.S. President Mitterrand's initial strong support for the Alliance has been based on two assumptions. He wanted the U.S. to deploy intermediate missiles in Europe to restore the military balance of power with the Soviet Union. At the same time, with Communists in his government, he could not afford bad relations with the U.S. Both stances brought him into conflict with the Soviet Union.

M Mitterrand now has tactical reasons for downgrading the U.S. relationship in that he has no wish to enhance President Reagan's standing in France in advance of an election in which Reaganism is being held up as a model by the Opposition. But more importantly in French eyes, the priority that the U.S. is putting on agriculture in a new trade round poses a major threat to the Common Agricultural Policy—of which France is a major beneficiary. The SDI programme is also seen as an attempt to rob Europe of its brains and technology skills for a programme that in the end could undermine Europe's security.

Doubts

The deterioration in relations with the U.S. has not been compensated by any improvement in relations with the Soviet Union. French hopes that President Mitterrand's visit to Moscow last year would pave the way for more normal ties have so far not materialised. But more important for the long run are the doubts now being voiced about the credibilty of France continuing to place such strong reliance in its defence strategy on the nuclear deterrent. These doubts have been raised most persuasively by Pierre Lellouche, assistant director of France's foreign affairs institute in a new book "Avenir de la Guerre" (the Future of War).

The possibility that the Soviet Union is acquiring SDI technologies has inevitably thrown doubts over how long, and in what numbers French nuclear weapons would be able to penetrate the Russians' screen. The bulk of French defence expenditure is tied up in nuclear weapons—giving them in M Lellouche's word, something of the symbolic value of a Maginot Line.

At the same time the concentration of expenditure on France's strategic deterrent has deprived it of the flexibility to meet threats to its security short of all out nuclear war. M Lellouche's answer is that more must be spent on defence —but that is a decision that will be difficult to take in the confused political situation that could be in store.

Political future is uncertain

CONTINUED FROM PAGE ONE

title of his recent book.

Still a minority apart are the extremes of the Communist Party on the Left and the National Front on the right—backed by 20 per cent of the electorate on programmes that bland populism, xenophobia and a dislike of change.

None the less it is these often intangible shifts in social attitudes which will remain part of the major legacies of socialist rule—and one of the reasons for being optimistic about the future of the French economy and industry over the medium term. For over the short term the prospects are of a continuing period of slow growth and of still painful adjustment in a number of sectors.

In this sense, France has lagged behind its competitors—particularly when compared with the 1950s and 1960s when the French economy was expanding as fast as any in Europe.

In macro—economic terms the Socialists are now suffering the consequence of the ill-timed reflation of 1981-82. But industry is also suffering from a decade of low investment and postponed restructuring which undermined its competitivity—as reflected in France's recent loss of share in world export markets coupled with higher levels of import penetration.

Since the stabilisation measures initiated two years ago by M Jacques Delors, the then Finance Minister and pursued by M Pierre Beregovoy, his successor, inflation has been coming down and the trade account moving slowly back into balance. But progress has been much slower than expected.

The trade deficit this year is likely to be close to last year's FFr 20bn and inflation will fall little more than one percentage point from last year's 6.7 per cent. Company profits, which increased strongly last year, are rising more slowly this year.

The price of this adjustment has been three straight years of almost stagnant growth — with France's average annual 1 per cent rise in GNP significantly behind that of her competitors. Unemployment has climbed to 2.4m.

The French economy is also burdened with a deficit of the public administrations (the Budget, the social security and the local authorities) which is still on the increase as a proportion of GNP and with an outstanding foreign debt almost three times as large as it was in 1981.

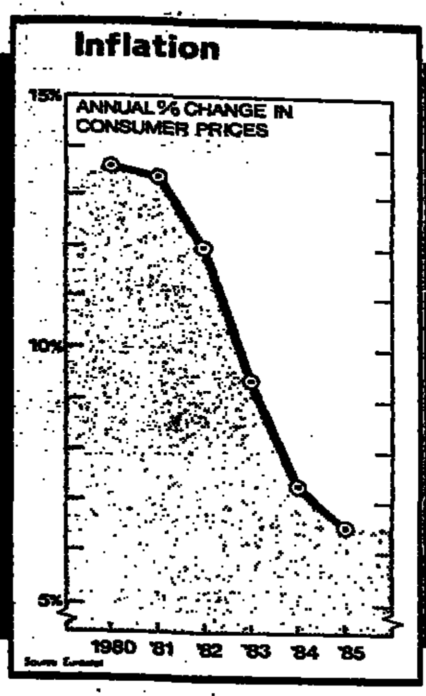
Though the franc has remained stable within the European Monetary System, it is now suffering from a 2½ years accumulated inflation differential with the Deutschmark. The pressure on the exchange rate is thus likely to mount in the months preceding the March election on the expectation that a devaluation will quickly follow.

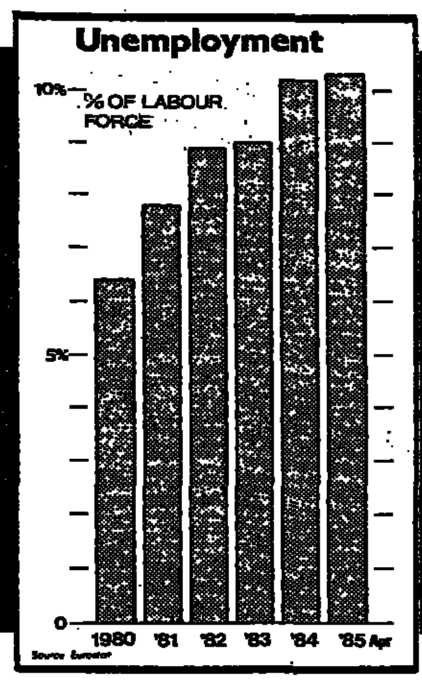
It is on how to tackle this situation that the opposition is most divided. M Raymond Barre, the former Prime Minister, believes that priority must be given to reducing the deficit of the public administrations so as to free resources for investment. This implies a further period of deflation and of squeezed living standards.

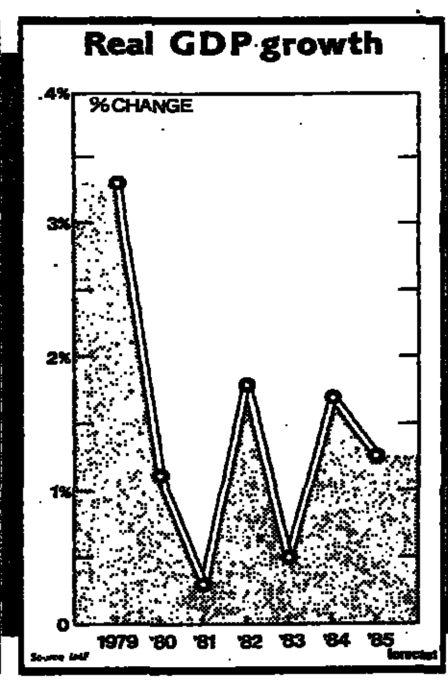
The RPR and M Giscard d'Estaing's followers favour tax cuts and deregulation to inject dynaism into the economy and achieve higher growth. The risk is that this bold attack would be followed by a swelling of imports and a renewed trade deficit.

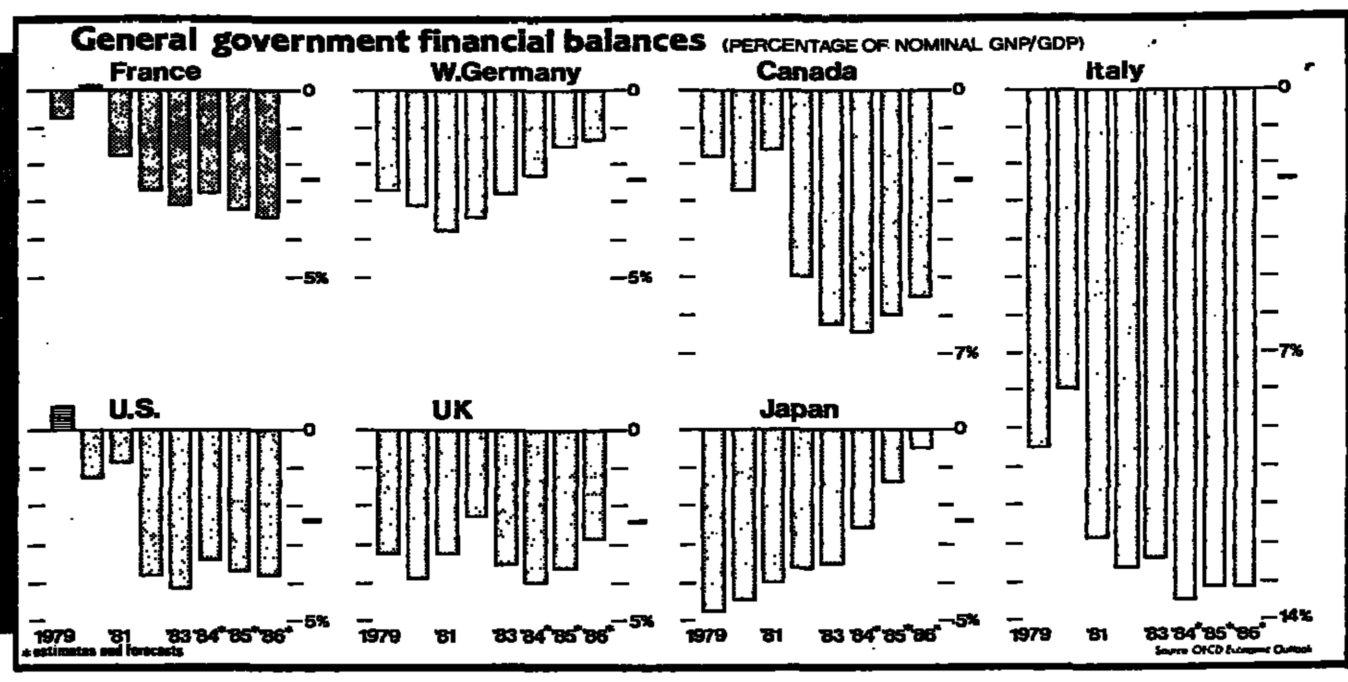
Before the recent split in the Socialist Party, President Mitterrand was counting as much as anything on the divisions and mistakes of his opponents.

If he can sit it out at the Elysee until 1988, then his gamble is that the Left would have a chance in the presidential elections scheduled that year. But the political horizon remains stormy until then.









Low level of investment hinders recovery

Economy

DAVID HOUSEGO

THE MAJOR test of the Socialists' management of the economy lies in the legacy that they will bequeath to the successors in March next year. On both Left and Right of the political spectrum it is conceded that the situation will remain difficult.

After the ill-timed reflation of 1982 which gave France a growth in real GNP 1¾ percentage above her European partners, the French growth rate has fallen below that of the European average over the last three years. INSEE, the official forecasting institute, expects that real output will expand by 1 per cent tihs year—as compared with 2.25 per cent for the EEC—in line with the trend since 1983.

Unemployment has risen in parallel with the slowdown in in growth. From 7.3 per cent of the labour force in 1981, the number of unemployed people had expanded last year to 2.48m or to 10 per cent of the labour force. Net job losses in the economy are still growing, leading the Organisation for Economic Co-operation and Development (OECD) to predict that unemployment will be more than 11 per cent next year. But on the French official figures the number of registered unemployed has started to decline as a result of the expansion of youth employment schemes.

Low growth and high unemployment have been the price that almost every major industrialised country has had to pay for bringing down inflation and restructuring industry in the wake of the oil crises. The French Socialists can claim that in avoiding the strict monetarist approach of Mrs Thatcher, they have not plunged the country into recession.

Stagnation

France is the exception among industrialised countries in that in no year over the past decade has real GNP fallen. But the French economy has also experienced a longer period of stagnation—stretching back to 1980—and it has missed out on the recent global recovery.

With domestic demand likely to increase again next year at a time of a downturn elsewhere in the world, the risk is *that* France will again as in 1982 be moving against the tide.

The "gradualist" approach that the Socialists adopted after the U-turn of 1983—the word springs from M Jacques Delors, the former Finance Minister—has had two major successes.

The first has been to curb inflationary expectations through the disindexation of wages. For the first time since 1958 hourly wage rates last year rose less fast than inflation—6.4 per cent as against a 6.7 per cent increase in the consumer price index.

Wage settlements this year have continued to be mostly within the Government's norm of a 4.5 per cent increase. Wage restraint has been the major factor bringing down French inflation.

The other success has been to provide the conditions in which companies can begin to rebuilding profit margins *after* a long period in which household income has been maintained by sqeezing company margins.

The profit ratio of French companies (gross operating surplus/value added) rose by 1½ percentage points last year to close to its level in 1979—when M Raymond Barre's policies of freeing industrial prices also boosted profits.

Companies' self-financing capacity also rose sharply to 71 per cent in 1984 from 61 per cent in 1983 and 50 per cent in 1982.

Jacques Delors, the former Finance Minister: successes for the "gradualist" approach adopted by the socialists after the U-turn of 1983.

This improvement in companies' finances stems from a combination of the holding *down of salary costs, productivity* improvements as the result of shedding labour, lower interest charges and a flattening out of companies' tax and social security burdens.

But the fundamental constraints that impinged on growth before the Socialists took power still remains—with progress in some areas such as union attitudes towards flexibility of working practices but a worsening in orders through notably the widening of the budget deficit and the growth of France's foreign debt. The continuing weakness of the economy remains the inadequacy of investment. Investment by the private sector and the large national industries declined sharply after the first oil shock before reviving before 1980.

It has continued to fall since—dropping by 2.9 per cent in real terms last year according to the official forecasting institute INSEE and flattening out this year. The level of productive investment in France next year will still be below what it was in 1980.

A partial exception to this trend has been investment in the competitive industrial sector—accounting for a third of productive investment. A sharp 9 per cent volume recovery last year is expected to be followed by a further weak 3 per cent expansion in 1985.

The continuing insufficiency of investment means that the external constraint on higher growth—the risk that expanding national output will suck in larger volumes of imports thus pushing the trade account further into deficit—has not diminished.

France cut its trade deficit from more than FFr 90bn in 1982 to FFr 20bn last year by running a significantly lower growth rate than its European partners. But with the growth rate differential narrowing again in the second half of the year, the trade deficit is likely to remain at about FFr 25bn during 1985.

To these major constraints on higher growth, the Socialists have added two others, both the price of the ill-timed reflation in 1982. The central Government's budget deficit has widened as a proportion of GNP from 1.1 per cent in 1980 to 3.3 per cent last year. The size of the public debt has thus more than doubled to over FFr 900bn last year, with debt servicing charges expanding from FFr 48bn in 1981 to FFr 89bn in 1984.

Constraints

At the same time, France's outstanding foreign medium-term and long-term debt has risen from FFr 187bn at the end of 1981 to FFr 525bn last year. With the current account almost back to surplus in 1984, most of the 16 per cent increase in the size of the debt in 1984 was due to the strength of the dollar.

Overall these constraints leave any new administration taking office in March with little room to manoeuvre over the management of economic policy—and explain the frustration of the opposition over finding fresh ways to inject dynamism in the economy. M Barre believes that priority must be given to cutting the budget deficit so as to free resources for private sector investments.

To this he adds a programme of gradually lifting price and exchange controls and deregulating industry so as to tap new sources of productivity.

The Gaullists believe that a much more aggressive approach to tax cuts and deregulation is necessary — and that the right can get away with it because of the confidence they would generate on the foreign exchange markets. But the Gaullists programme would almost certainly lead to a temporary widening of the budget deficit, and need to be preceded by a devaluation of the franc. By next March the parity of the franc within the EMS will have remained unchanged for a record three years.

The Socialists have still to spell out their future policies. But the proposals of M Michel Rocard, the former Minister of Agriculture, for raising investment levels, particularly in energy savings sectors, reflect the impatience of many in the party at continuing stagnation.

Left to right: Jacques Chirac, Giscard d'Estaing and Raymond Barre, leaders of the right-wing opposition. They are preparing a united platform against the ruling Socialis t party in the 1986 parliamentary elections

PROFILE: ALAIN JUPPE

The man to watch in a reshuffle

SLIGHT OF build, bounding with energy, a quiet but humorous speaker, Alain Juppé is one of the top candidates on anybody's list to be the Minister of Finance if the Right returns to power in March.

He has long been economic spokesman for M Jacques Chirac's RPR and also runs the finances of the City of Paris of which M Chirac is Mayor. As part of the reshuffling of the Gaullist leadership late last year when a younger generation was given the top posts, M Juppé became number three in the hierarchy with responsibility for drawing up the party's economic programme.

At 40 he is only a couple of years older than M Laurent Fabius, the Prime Minister.

M Juppé believes that the package of tax cuts and deregulation of business that be presented to the Gaullist Congress this month can be implemented if the Right has a substantial majority in March. If the election result is unclear then he thinks that the Gaullists should not participate in a government.

He stoutly defends the FFr 40bn of public expenditure and tax cuts that he proposed for 1987 as carefully costed. On the expenditure side, he believes that FFr 5bn could be saved on public sector staffing: FFr 5bn on running expenses and cancelling costly Mitterrand projects such as the transfer of the Ministry of Finance from its current home in the Louvre: FFr 20bn on cutting state aids to industry: and FFr 10bn in additional receipts from the first slice of denationalisations.

Alain Juppé, now number three in hierarchy of the Gaullist RPR leadership.

He recognises that with the automatic upward drift in public expenditure, FFr 60bn would be needed to achieve FFr 40bn of tax cuts. But he believes the extra can be obtained from a higher rate of economic growth. "We must obtain 3 per cent as soon as possible," he says.

M Juppé has travelled extensively in the U.S. and Britain while in opposition, and indubitably the pick up in the U.S. and British economies has influenced his shift towards more market oriented economics.

He says that the Opposition carries a collective responsibility for the drift towards more government interference that occurred during M Giscard d'Estaing's presidency.

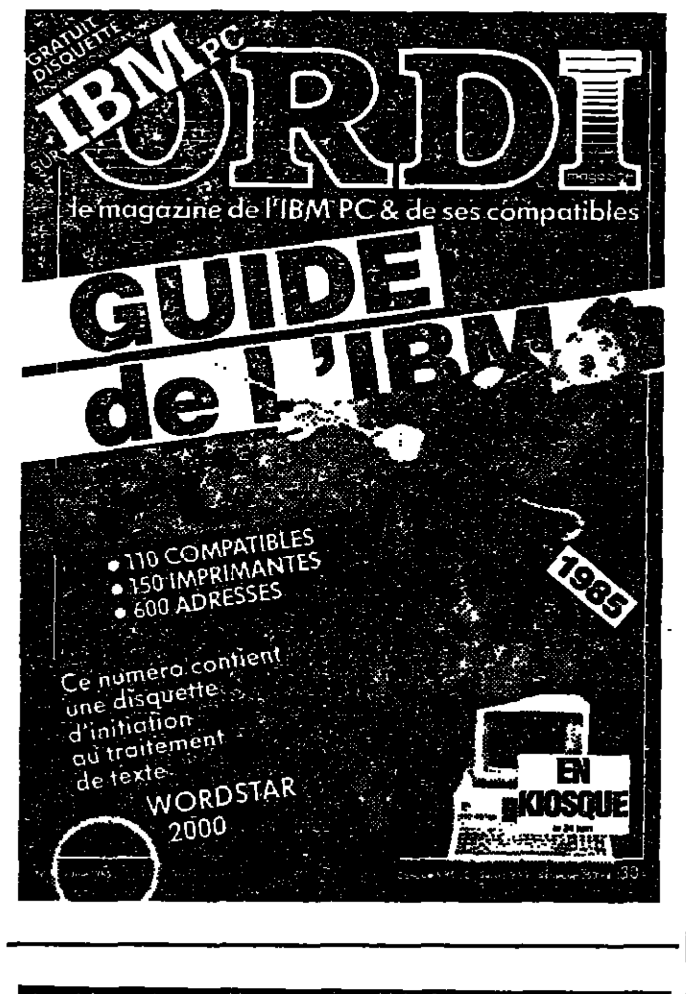
But he believes that the Right's new liberalism is in line with the Gaullist tradition. When General de Gaulle came back to power in 1958, he says, he pushed for an opening of France's frontiers in the face of opposition from business.

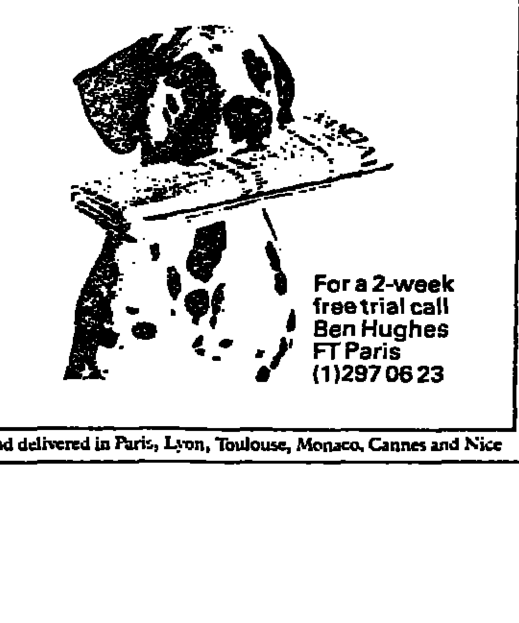
M Juppé thinks that the Socialists have left two economic "time-bombs" that will add to the difficulties of a new administration. The first is the size of the budget deficit which at FFr 139bn for this year the opposition believes is much understated. M Juppé envisages a supplementary budget soon after the right would take office.

The second is unemployment where the expiry of the Government's youth employment programme will face the opposition with a further swelling of the unemployment figures.

A third "time-bomb" M Juppé is unwilling to talk about. Most observers believe that the Gaullist plans include a devaluation of the franc as one of the first actions of a new administration. All that M Juppé will say is that he believes that the franc is currently overvalued by 6-8 per cent against the Deutschemark.

David Housego





Confidence returns to the markets

Financial Markets
DAVID MARSH

FINANCIAL markets are held to be fickle allies of governments. After giving an initial resounding thumbs down to President Francois Mitterrand on his election in 1981, the French bourse over the past three years, in appearance at least, seems to have been voting wholeheartedly in favour of economic policies followed by the Socialist administration.

Great uncertainties remain on the horizon in the shape of the 1986 legislative elections. French stockbrokers have been preparing themselves for a flood of rights issues from companies this year seeking to pre-empt any downturn on the stock market that could follow a return to power of the right and the ensuing denationalisation programme.

Whichever party is in power next year, however, is likely to continue the rehabilitation of the financial markets which, paradoxically, has become a cornerstone of Socialist policies. And, above all, the gradual process of deregulation in the banking and securities sector now seems an unstoppable trend—both to improve the markets' efficiency in domestic economic terms and also to try to narrow the gap between Paris and more innovative foreign centres like the City of London.

An unforecast combination of circumstances has made the Paris bourse the internationally best-performed stock market since 1983. After a rise of 55 per cent that year in the CAC stockbrokers' index, the market gained a further 16.5 per cent in 1984 and this year has risen 30 per cent to the end of May.

The rise has been partly due to a "catch up" after the previous moribund years of 1981/1982 as well as a chronic shortage of paper resulting from the expensive nationalisations of 1982. Measures taken under M. Jacques Delors, the Socialists' first Finance Minister, to continue and expand tax incentives for bourse investment initiated by the predecessor right wing government have also had their effect.

But, most of all the domestic and international investment community has voted confidence in increasing commitment by the Government to restore company profits.

A strong feature of the bourse surge since 1983 has been the presence of foreign buyers, above all institutions in London as well as insurance companies and funds from the U.S. seeking to diversify their overseas investments.

Second market

M Delors brought in what has probably been the most dramatic reform to have taken place on the financial markets since 1981—the setting up in February 1983 of an unlisted securities market or "second market" to encourage small and medium companies to float their shares on the bourse.

Roughly 70 companies have since then introduced a minimum of 10 per cent of their capital on this sector—closely modelled on the London USM set up 4½ years ago. Demand for their shares has often been overheated, partly because of the market's general thirst for paper and the Commission des Operations de Bourse, the stock market watchdog, has had to recommend action to dampen speculation.

The shares introduced have covered a cross section of companies from the leisure, consumer goods, clothing and footwear and food sectors—traditional areas where French companies have strong positions but have shied away in previous years from a bourse quotation.

In recent months, however, the flow of new issues has also included an increased proportion of high technology stocks, culminating with the introduction in June of Cap Gemini Sogeti, Europe's No 1 computer services group.

If M Delors set down the macroeconomic framework for the financial markets' recovery, it has been his successor, M Pierre Beregovoy, who has been most active in efforts to improve microeconomic regulatory conditions on the bourse.

In spite of the overall increase in importance of the Paris market—especially in bonds, where new issue volume this year remains buoyant even compared with 1984's 25 per cent rise to FFr 224bn—trading conditions remain generally primitive compared with London, New York or Tokyo.

M Beregovoy has let it be known that this has to change. A welter of regulatory measures is beginning to descend on the Paris market, with effects which could promote wholesale structural changes in the traditionally protected stockbrokers' profession.

From next month, the discounts which stockbrokers have to award banks on securities commissions are being widened, with the discounts freely negotiable for large orders. The bourse will also bring in morning trading for key stocks before the end of the year and plans to start computerised quotations on a trial basis next year.

Stockbrokers retain, for the time being at least, their monopoly on bourse trading which dates from 1807. But banks and stockbrokers are being pushed into alliances in the form of joint, better-capitalised companies which the Finance Ministry wants to set up to fulfil a jobber-like market-making function.

A fresh breach in the stockbrokers' powers will open up as a result of the futures market for bonus and short-term financial markets which will start this autumn. From next year, banks and brokers will participate in the market

Further innovations include the planned setting up of a stock options market, in the second half of next year, as well as a more competitive mortgage bond market—modelled on U.S. lines—which M Beregovoy hopes will reduce home-buying borrowing costs. After the recommendations of a commission headed by M Bernard Tricot, the former COB chairman, competition is also being introduced into the bond market.

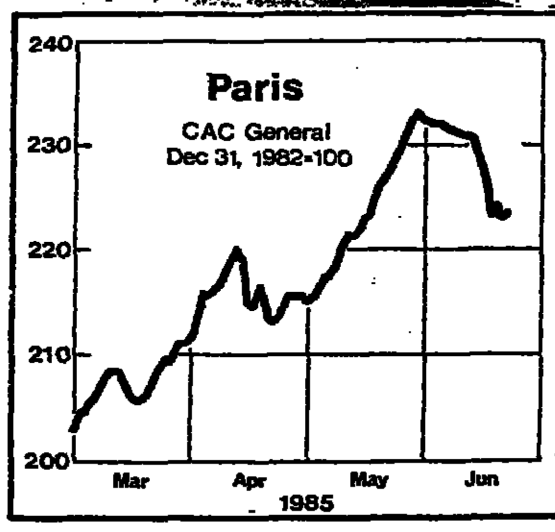
Leading banks have in recent weeks been fighting a commissions "war" in order to win issuing business, where borrowers are now free to choose the lowest bidders to form bond consortia.

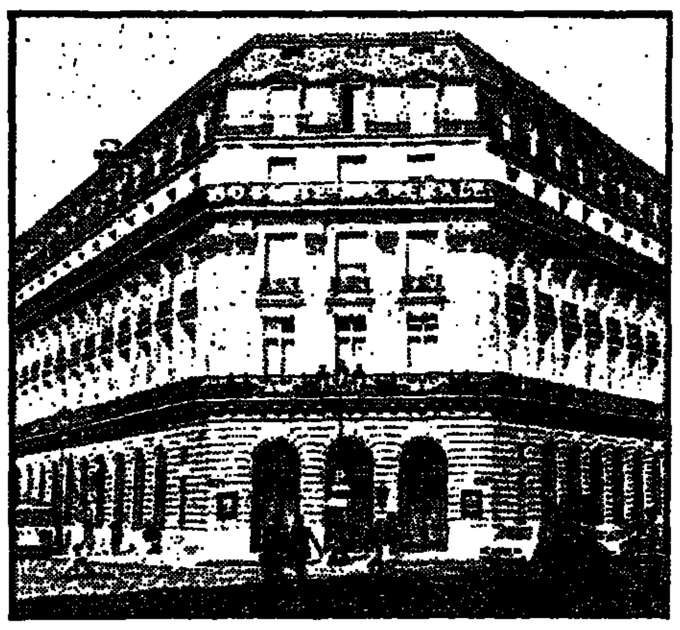
In line with the deregulatory spirit on the French franc Eurobond market, newly re-opened this spring, foreign banks domiciled in France like Citicorp or Barclays are now competing for domestic lead management business.

The Finance Ministry underlines the need for deregulation and dynamism in Paris to prevent business flowing abroad—especially to London—where global securities traders have already turned their attention to negotiating block deals in leading French shares.

As long as rigorous French exchange controls remain in force, French banks and securities dealers will continue to be given a measure of protection from events abroad. Recently, however, the firmness of the franc and investors' confidence have virtually wiped out the premium which French residents have since 1981 had to pay on buying foreign exchange for foreign securities purchases.

If the franc's health allows it, the Government would certainly like to scrap the premium system altogether before the 1986 elections to emphasise that the Socialists' relationship with the financial markets since 1981 has indeed swung full circle.





Terry Kirk

Paris offices of two of France's biggest banks, Société Générale and Banque Nationale de Paris.

Competition moves stepped up

Banking
DAVID MARSH

THE SOCIALIST Government in 1982 carried out a major extension of state ownership of the banks in a bid to promote a mini-economic revolution in France. The irony has been that, since then, events *outside* the country have probably proved to be more important than the Government's own actions in determining changes in the French banking system; and that the Government is now standing up to protect the interests of its nationalised banking empire in ways which would have been inconceivable during its first flush of power four years ago.

Recalling the outcry in the Socialist party raised by efforts by M Jacques Delors, the former Finance Minister, to push through cuts in the banks' savings deposit rates, one leading banker at a nationalised institution comments: "Two years ago, to mention bank profits at a Socialist meeting was like carrying out striptease in a church. Now, the Ministry of Finance is powerful and credible enough to have changed people's minds. They have accepted economic realities—which means we have to have wider margins."

Indeed, despite the drop in inflation to an annual rate of about 6.5 per cent and the oft-repeated pleas of M Pierre Beregovoy, M Delors's successor, for a cut in bank's lending rates to promote economic recovery, banks' base rates—currently 11.25 per cent—have declined by only 1 percentage point since January 1983.

Conditions on the domestic money market, which is an essential source of funds for the smaller banks without a large retail network, and where interest rates were pushed up to punitive levels early in the Socialist Administration's life, have eased markedly to well beneath the base rate.

Borrowing costs throughout the economy have in fact been easing faster than indicated by the sluggish fall in base rates, with weak loan demand prompting significant cuts in the margins which banks add to their basic lending rates.

Nonetheless, the stabilisation or improvement in banks' margins during 1984—compared with the general forecast that they would contract—was a major reason behind increased banking profitability last year. Additional factors have been a general fall in provisions (especially on domestic risks); the slowing of wage rises (although overhead costs in other areas, notably information technology, have been leaping ahead) and improved commission earnings from flourishing investment banking and securities business.

The Government is making a big effort to improve competition within the banking sector. The 12-year-old *encadrement* system of credit ceilings at the end of 1984 was replaced by a new control mechanism designed to allow more room for market forces. Although it still strictly controls overall credit growth, the new system enables, in theory, at least, the more efficient and better-capitalised banks to increase their market share.

New mechanism

Additionally, M Beregovoy has recently announced that France's competition laws will be applied to the banking profession. This could break up cartel-like structures in many areas of bank charges, including the controversial issue of tariffs to be paid by shopkeepers over introduction of the "smart card" electronic payments system.

It has also led to action to open up competition over securities' commissions.

Overall, however, the Government's attitude towards the banks over the past three or four years has moved in the direction of protecting their position. French banks' importance as borrowers on the international capital markets (especially, in 1982 and 1983, their role in organising loans to cover France's balance of payments deficit) has effectively made impossible any government action that would have lowered the banks' credit standing.

Thus, early temptations to use the banks as "milch cows" to finance newly-nationalised industrial companies and to bail out loss-making enterprises in general, have now been abandoned. The Government is showing a more than understanding attitude over the need to strike adequate provisions to cover loan risks at home and abroad.

The need for banks to increase their capital adequacy in line with international standards and to bring them towards the Bank of France's target capital ratio of 5 per cent has taken precedence over the earlier requirement that they boost dividends and other payments to their state shareholder.

This has been borne out by the authorities' acceptance of capital raising methods, notably the issue of non-voting preference shares (*certificats d'investissement*) — which bankers admit could provide a possible route to eventual decentralisation.

Societe Generale, which pioneered the first CI issue last year (after months of discussion with the Treasury, precisely over the denationalisation implications) has just been given the green light to float permanent subordinated bonds on the French capital market as another means of boosting capital backing.

In some areas, the Government may have been too accommodating in protecting the interests of the banks.

Infusion of large amounts of taxpayer money into a number of loss-making banks nationalised expensively in 1982, including the former Rothschild bank, Banque de l'Union Européenne, Banque Vernes and Banque Worms, has indeed smoothed over the alarm that a collapse of one of these banks would have generated. But it has prevented any basic changes in the structure of the banking industry since 1981-82.

Rigour

It has also tended to reinforce the notion that French banks (with margins between deposit and lending interest rates much higher than the international average) are still encountering nothing like the rigour faced by industry.

An issue likely to become increasingly dominant in coming months is the question of denationalisation, promised by the Right if the government changes hands after next year's legislative elections.

The prospect of further cuts in French interest rates (lowering margins and thus squeezing profits for the big commercial banks) makes almost certain that the first institutions to be handed back to private ownership would be the investment banking "stars" of the 1982 nationalisations, the Paribas and Suez groups.

But if profitability and capital backing throughout the whole of the banking profession continues to improve, investors may eventually also develop an appetite for shares of the Big Three institutions nationalised under General de Gaulle in 1945.

New Bill will ease flow of venture capital

Small Businesses
DAVID MARSH

FACED WITH rising unemployment in traditional industrial areas, and the need for rationalisation and concentration in large companies, the Socialist Government is trying to put more of its economic eggs into the small business basket sector.

A series of measures since last year aims to increase tax incentives for people setting up their own businesses. Great attention is being paid to stepping up financial flows from the banks and other institutions to small companies in the form of venture capital.

And in the area of labour policies, the small business sector would be a major beneficiary of increased hire and fire flexibility now being negotiated between employees and the trade unions.

Recent figures from the Credit d'Equipement des Petites et Moyennes Entreprises (CEPME), the small business financing agency, show that in spite of all the difficulties facing French industry the capacity to create new businesses exists.

Last year new company start-ups—at 88,479—grew by 8.7 per cent, slightly more than the rate of businesses collapses, which at 24,378 were up by 8.5 per cent compared with 1983.

The boom on the French financial markets during the past three years, in particular the setting-up in 1983 of the "second market" on the bourse, together with legislative measures to facilitate venture capital investment, have led to a sharp improvement in the overall financial conditions available to entrepreneurs.

About 30 venture capital companies are now thought to be operating in France. With the amount of money available for venture capital funding put at about FFr 1bn, specialists point out that the main problem is to find suitable projects into which to channel the funds.

There are plenty of examples of successful venture capital investments. Among these are the introduction to the "second market" of the Lyons bourse of the Ollier retail services company in which the UK's Charterhouse group had a 30 per cent stake; the recent fund-raising exercise put into effect for Acte, a company set up to commercialise a nationwide chain of business centres, and a similar operation subscribed to by the main French venture capital groups for the electronic group Tigre.

But many French venture capitalists fight shy of putting funds into start-up companies, preferring more mature firms at the "development" stage. Clearly French attitudes have a long way to go before researchers or managers in established organisations become infected with U.S.-style readiness to set up their own companies.

Additionally, the generally low profitability of French industry not only places a limit on the return available to investors, but also lengthens the time that even a successful company has to be "carried" in a venture capital portfolio before it can be sold on the bourse.

The Government aims to improve the general environment for venture capital with a new Bill being pushed through the National Assembly to free from taxation finance companies set up to channel funds into small businesses. The tax breaks, which have been given a warm welcome by French venture capital experts, will be granted to companies investing in non-quoted businesses, on condition that the holding company, after allowing for a start-up period, distributes to shareholders at least 50 per cent of dividends received.

In another sign of changing attitudes towards entrepreneurs, the Government's economic initiative law of July 1984 has made it easier for companies to be sold on to their employees through leverage management buy-outs. The surest sign that this is catching on in France is that the ugly Anglo Saxon acronym LMBO has now found a Gallic translation — RES or Reprise d'une entreprise par ses salariés,

Sluggish activity

After some months of sluggish activity caused by the slowness of fiscal inspectors at the French Treasury to authorise use of the tax incentives passed last year, the pace of successful LMBOs has now picked up.

Nearly 30 cases have now been given the green light by the authorities, enabling tax credits both for the managers buying out companies as well as for the outside holding concern set up to finance the take-over.

Notable LMBOs agreed in the last few weeks include the sale to employees of Docks Industriel, a port services subsidiary of the Pechiney aluminium group, as well as of Cofna, an animal feed subsidiary of Unilever, which is easily the biggest French LMBO carried out up to now.

But financial institutions nevertheless say further government pressures — including above all steps to increase incentives for individuals to sink savings into risk funds—will be needed before the French venture capital and LMBO environment approaches anything like the Anglo Saxon scene.

At the centre of raging election debate

Nationalised Industries

PAUL BETTS

FRANCE'S nationalised industries have been at the centre of a raging debate in the past few months. The controversy is likely to increase even further as the campaign for next March's parliamentary election gathers steam.

From the very beginning, the left's decision to nationalise most of the country's main industrial groups have provoked perhaps the biggest single issue of contention between right and left over industrial policy.

The right-wing opposition has throughout the last four years said that, if it returned to power, one of the first measures it would take would be to denationalise some or all of the groups brought under state ownership by the left.

For its part, the left has defended vigorously its policy of nationalisation. Indeed, President Mitterrand recently went as far as to suggest that he had actually "saved" six major industrial groups in France by nationalising them after 1981. And Mme Edith Cresson, the Socialist industry minister, has referred to groups like Pechiney, the aluminium manufacturer, and Rhône-Poulenc, the nationalised chemical concern, as successful examples of industrial restructuring and recovery under the Socialists.

The debate on the nationalised sector has been complicated by the fact that its record during the past four years of socialist rule in France is a mixed one. There have certainly been some success stories, but equally there have been one or two major disasters, not least the case of Renault, the large state-owned car group which was once the model of successful state enterprise in France and is now struggling under the burden of record losses and huge debts.

Although a number of groups, like Pechiney, Rhône-Poulenc, and the Thomson electronic and defence company have returned to the black, or close to breakeven, after large losses in past years, the overall losses of the nationalised sector have increased. The right-wing opposition has used figures showing that the newly nationalised groups' total losses have risen from FFr 2.4bn in 1980 to FFr 9.3bn in 1981, and to FFr 14.2bn last year in order to support its argument against nationalised industries.

Taking the entire nationalised sector as a whole, including the coal board, the utilities, and groups like Renault already under state ownership when the left came to power, the figures are even worse. The losses for the nationalised sector have grown from FFr 7.9bn in 1980 to FFr 36.4bn last year.

Distorted

The left, of course, argue that these figures show a distorted picture of the situation. The main losses last year came from Renault, with a record deficit of FFr 12.55bn, and from the steel companies which have included heavy restructuring provisions in their 1984 accounts. In contrast, the Socialists say, the chemical sector, after the major restructuring and redeployment of assets two years ago, is now on the road to profitability, again helped, they concede, by the improved international environment for demand and better prices for the industry.

The electronics industry—a government priority—is also showing improvement with the Bull computer group cutting back losses substantially and Thomson near to break-even. As in the case of chemicals, this follows a major restructuring of the electronics and telecommunications industries and redeployment of assets between the various companies in the sector.

In an effort to achieve the necessary economies of scale and avoid damaging duplication and competition, the civil telecommunication sector has been regrouped around the CGE conglomerate, while Thomson has been given the lead role in the country's electronic defence and components industry. The regrouping of the telecommunication industry is however proving more complex and difficult than anticipated, and the need to continue to make further job cuts in a sector deemed as one of the country's key strategic growth industries of the future has proved an embarrassment for the Socialists.

At the same time Government policies have themselves had to evolve. If the accent at the beginning was on the "social" role which nationalised industry also has to play, the emphasis in the past year has been increasingly placed on profitability. M. Laurent Fabius, the Socialist Prime Minister, started the process when he was industry minister by warning state industry managers that the renewal of their mandates depended directly on their success of returning their groups to profit.

The new approach to the nationalised sector reflects the general evolution in socialist economic thinking in France and President Mitterrand's own political recentring since the Communists withdrew from the coalition government last summer. Perhaps the most eloquent example of this change was the unceremonious way the government dismissed at the beginning of this year M Bernard Hanon, the chairman of Renault, for his failure to halt the loss haemorrhage at the troubled car group.

After an initial period of heavy intervention by government bureaucrats, nationalised industry managers have increasingly been left to run their businesses on their own. Moreover, the Government has also become aware of the handicap faced by nationalised industries in seeking to raise fresh funds at a time when the Government, their shareholder, was squeezed for funds itself.

New mechanisms

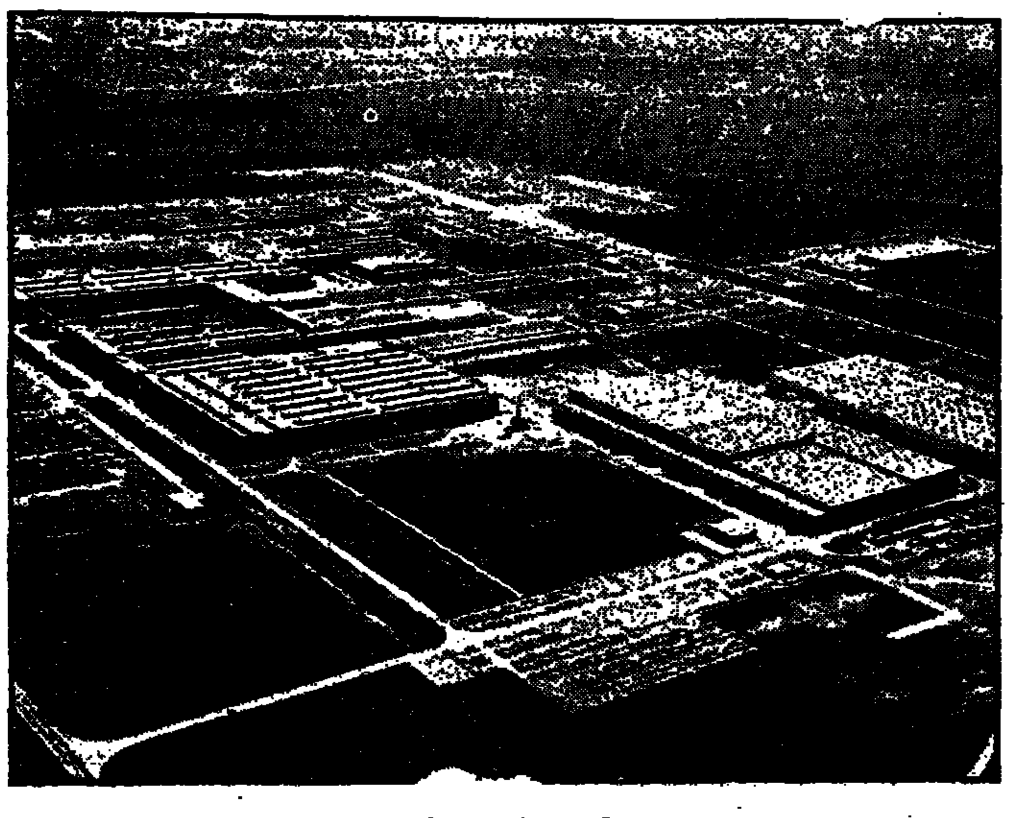
To try to resolve the funding dilemma, the Government has made it easier for state groups to turn to capital markets and private sources of funding. Among the new mechanisms introduced to help the state sector are new non-voting loan stock called "titres participatif," and the possibility of offering minority shareholdings of subsidiaries to the public.

At a time, however, when the Government is still under pressure to come to the financial rescue of large groups like Renault and the steel companies, executives of other nationalised groups now on the mend have expressed concern that the government will reduce its support to them. They add that although their groups are recovering, they still need investment funds to improve and maintain their competitiveness.

This changed approach to nationalised industries has raised suspicions that the Government was about to embark on a policy of gradual denationalisation—in part to steal some of the thunder from the Opposition's attacks against the state sector and its own policies of denationalisation. A few casual, and as it turned out careless remarks by Mme Cresson, the industry Minister hinted at this.

The Government has since tried to put the record straight. President Mitterrand made a strong defence of nationalisation on national television and other ministers have repeatedly said that the government had no intention of denationalising French groups. As for the Opposition, while it has continued to claim noisily that it would denationalise if it came back to power, it has, nonetheless, remained extremely vague about its policies and real intentions. The Opposition is itself divided on the issue, both as to the timetable and extent of denationalisations. At this stage, its main preoccupation is to show up nationalisation as one of the big failures of Socialist economic and industrial policies in general. The Socialists defend their track record by pointing to the successes achieved in some newly nationalised groups.

Ultimately, the argument is likely to be won or lost by the outcome at Renault. The restructuring and recovery efforts at the large loss making car group are undoubtedly the most challenging task facing French industry in general at present. And the Socialist government is clearly hoping that the car group's new chairman, M Georges Besse, will be able to repeat at Renault his successful restructuring of the nationalised Pechiney aluminium group.



Renault's car plant at Douai

PROFILE: GEORGES BESSE

More work for the miracle-maker

Georges Besse, chairman of Renault: facing biggest challenge

M. GEORGES BESSE has been hailed in France as a sort of industrial miracle maker. But he is now facing his biggest challenge in his distinguished career at Renault, the troubled French state-owned car group he has headed since the end of last January.

With no previous direct experience of the car industry, M. Besse was appointed at the top of Renault by the Socialist Government this year to put the car company back on the road to recovery. Indeed, the 57-year-old Besse had up to then spent most of his time in the French nuclear industry where he played a leading role and was chairman of Cogema, the nuclear fuels group. Subsequently he headed the nationalised Pechiney aluminium group.

Indeed, his success in restructuring Pechiney during the last three years appears to have prompted the government to name him at Renault to replace M. Bernard Hanon, the car group's former chairman forced out by the government.

At Pechiney, Besse undertook a sweeping reorganisation programme. He shed Pechiney's loss making heavy chemicals and steel assets to other French groups, concentrated the group's activities around its core aluminium and metal fabrication businesses, performed a major redeployment of its international aluminium assets pulling out of the U.S. and reinvesting in Canada.

He negotiated a novel deal with the French electricity utility for lower cost electricity supplies by acquiring a stake in an unspecified French nuclear power station, and continued the group's diversification into speciality metals and advanced technology sectors.

He also managed to reduce the group's French workforce with relatively little labour trouble. By last year, he had returned Pechiney to profit with earnings of about FFr 530m compared with an overall loss of FFr 4.6bn when he took over in 1982.

But Renault will prove a far more complex task than Pechiney. The car group has long been a major symbol in France of what is best in state enterprise and it was the model used by the Socialists for the new wave of nationalisation after the left took over in France in May 1981. Moreover, Renault has traditionally been a bastion of the pro-Communist CTG labour union and one of its key problems is its huge excess of labour.

Indeed, one of M. Besse's main tasks will be to win support to reduce Renault's French car workforce by about 18,000 people between now and the end of next year. And more job cuts are expected to be necessary in coming years.

M. Besse has so far adopted an extremely cautious and low-key approach since taking over at Renault. He has avoided all public statements and has spent the last few months conducting an extensive review of the group's diverse operations in France and abroad. But he now has completed this initial review and there have already been tangible signs of his recovery strategy for the car group.

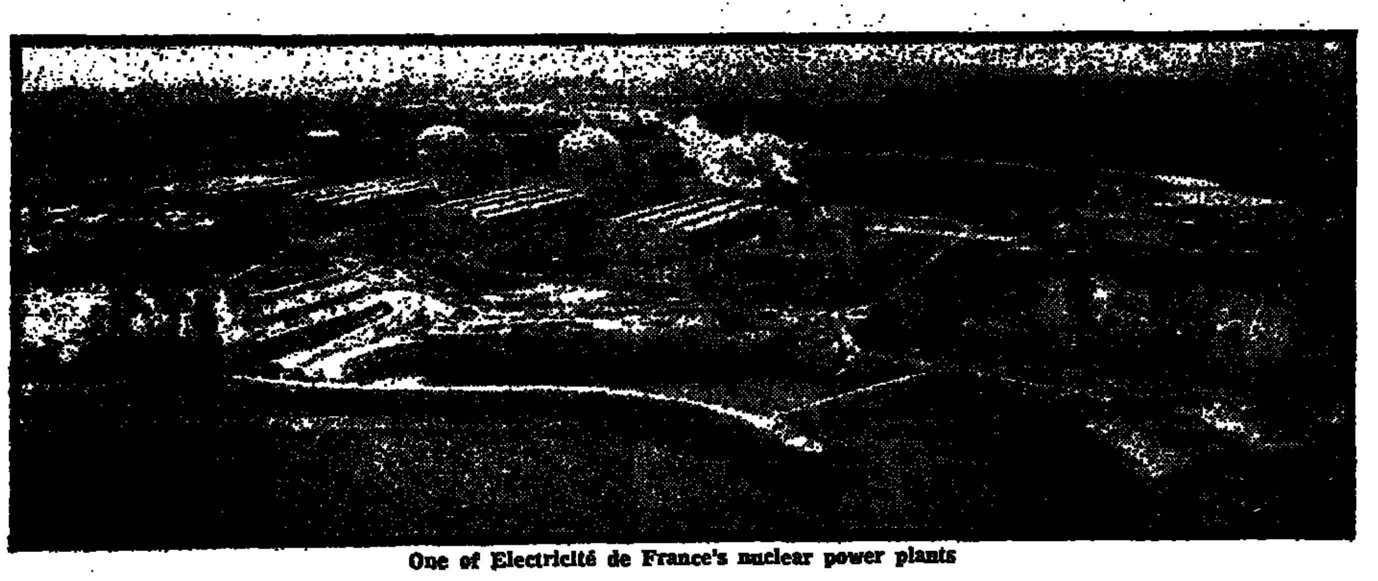
As an eloquent indication that he intends to take direct charge of the troubled car group, M Besse has also recently taken over the day to day running of the French group's domestic car operations— at present the principal source of its headaches. He has also confirmed his intention to re-centre the group's activities around traditional car assembly operations by freezing or negotiating the sale of some diversified high technology ventures.

M. Besse is also understood to be looking closely at Renault's large investments in the U.S. where the group owns 46 per cent of American Motor Corporation (AMC).

To reduce the group's huge financial charges, he has been negotiating a restructuring of Renault's medium and long term debts totalling FFr 40bn. He has also negotiated more funds from the Government to help boost the group's liquidity, and he is envisaging the sale of assets in a further effort to increase cash resources.

The group's disappointing performance in the French car market has not helped. Renault has now been overtaken by the private Peugeot group as leader of the domestic market. Renault's target this year is to win about 31 per cent of the domestic market and about 11.5 per cent of the European market.

Paul Betts



One of Electricité de France's nuclear power plants

PROFILE: MARCEL BOITEUX

Top of the nuclear league

Marcel Boiteux, chairman of Electricité de France, pygmy status to world leader

AS BEFITS A man in charge of a section of industry where decision-making horizons are measured in decades, M Marcel Boiteux, the chairman of Electricité de France, goes back a *long* way.

He has headed the organisation which is now the world's biggest utility—with the largest nuclear programme—since 1977, and looks likely to chalk up 20 years at the top before he reaches the mandatory retirement age of 65 in two years' time.

M Boiteux's chairmanship has spanned a period in which EdF has progressed from pygmy status in the atomic world to its present position as Europe's nuclear powerhouse. EdF's resistance during the 1960s to continuing with the home-grown French reactor technology favoured by the atomic energy commission, followed by the decision after the first oil shock in 1973 to "go nuclear" on the basis of a U.S.-designed pressurised water reactor, has paved the way for unquestionable technological success.

With France's electricity now the cheapest in the EEC, M Boiteux has fair reason for claiming that the programme has been an economic success too. In spite of a debt burden (much of it in dollars) of FFr 213bn at end-1984, which brought FFr 27bn in interest charges last year, M Boiteux uses his reasonable economist's language to explain that the return on EdF's nuclear investment is even higher than the real rate of interest.

Last year EdF generated a gross surplus of FFr 52bn—nearly half its FFr 118bn turnover—with which to pay interest costs and finance new investment. EdF just failed to break even—it made a loss of FFr 900m, after FFr 5.4bn in 1983—because of the end-year strength of the dollar. With the period now starting where EdF is having to amortise its debts, the utility's financial future—and its ability to carry out its promise to cut French electricity prices in real terms in coming years—is still closely linked to the gyrations of the U.S. currency.

France's success in pushing through a nuclear programme without the technical or political hold-ups faced in other countries, combined with much slower economic growth than forecast, has opened up the possibility of substantial spare generating capacity in 1990.

M Boiteux rejects the charge that EdF already suffers from over-capacity, pointing out that the utility was operating at its generating limits on the coldest days of this winter's big freeze. Electricity exports—FFr 25bn kilowatt-hours last year, which M Boiteux believes could rise further to 35 to 40 kwh by 1990—have too, allowed the utility to exploit its extra generating capacity, capitalising on the considerable electricity cost difference between France and its European neighbours.

The prospect of over-capacity has, nevertheless, forced EdF to cut back sharply its new nuclear plant orders from a rhythm of about 5,000 MW a year up to 1982 to its present annual rate of just one 1,300 MW tranche. This stagnation of domestic orders, combined with an even greater downturn in export business, has placed the French nuclear industry in what M Boiteux describes—with characteristic understatement—as a "delicate" situation.

He says that on purely financial grounds, EdF would order no new plants at all in 1985 and 1986. The order rate is in fact being maintained at one a year—effectively bringing forward orders which EdF would otherwise make in 1987—in order to protect domestic industry, he says.

Hopes that EdF could step up its new orders to two plants a year after 1986 hinge on the utility's success in boosting electricity consumption in industry, where it has launched a wide-ranging campaign to try to encourage conversion from gas or oil sources.

After a greater than expected increase in domestic consumption last year, electricity use in France this year has so far risen by only about 3 per cent compared with 1984 (after making allowance for the weather-induced jump in January and February). With the forecasters holding out little hope of any sharp rebound in the French economy, the odds, however, must be that French electricity consumption in 1990 will be nearer the bottom end of the 340-370bn kWh range (compared with 282bn kWh in 1984) targeted by EdF.

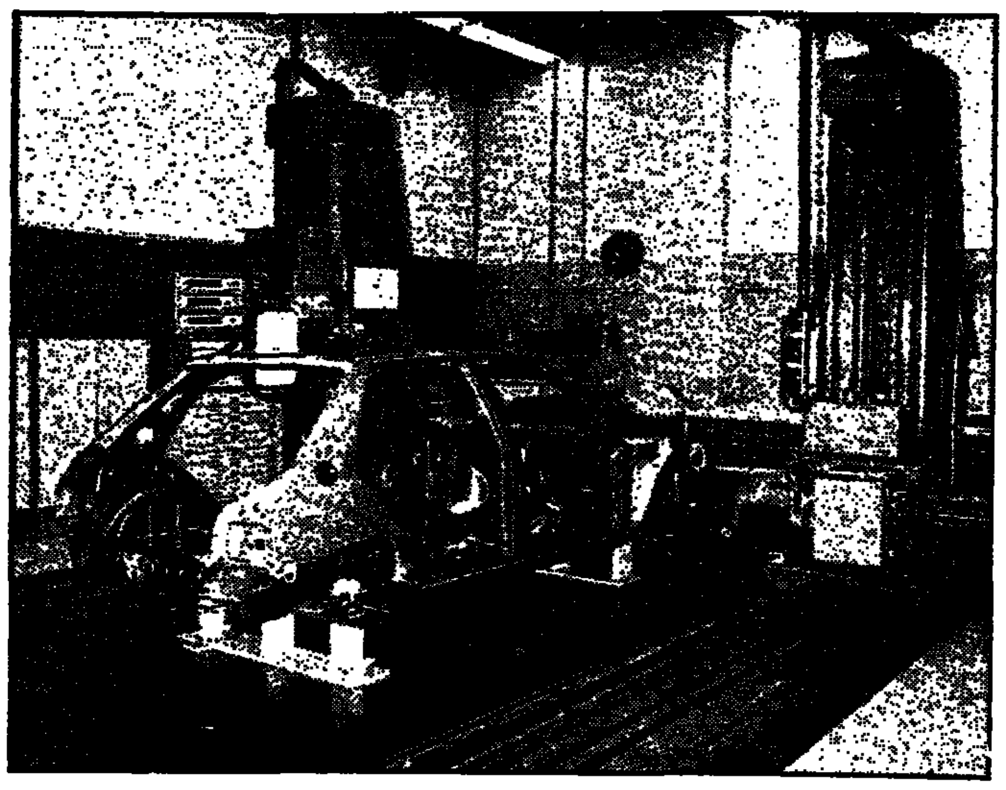
On the controversial question of France's investment in fast breeder technology, M Boiteux says this type of reactor will not be commercially viable until around the year 2000. The FFr 20bn Superphenix reactor in the Rhone Valley is now due to come fully on stream next April. At double the level of France's PWR's, the generating cost, M Boiteux says, is "too high to be competitive." The next fast breeder plant, on which the Government is due to make a decision possibly in 1987, is aimed to incorporate modifications which could reduce generating costs down to 50 per cent more than France's PWR levels.

Pointing out that the next fast reactor will probably cost roughly the same, per kilo-Watt-hour generated, as thermal nuclear plants in other European countries, M Boiteux believes there is a clear interest for France's EEC partners to share in the project.

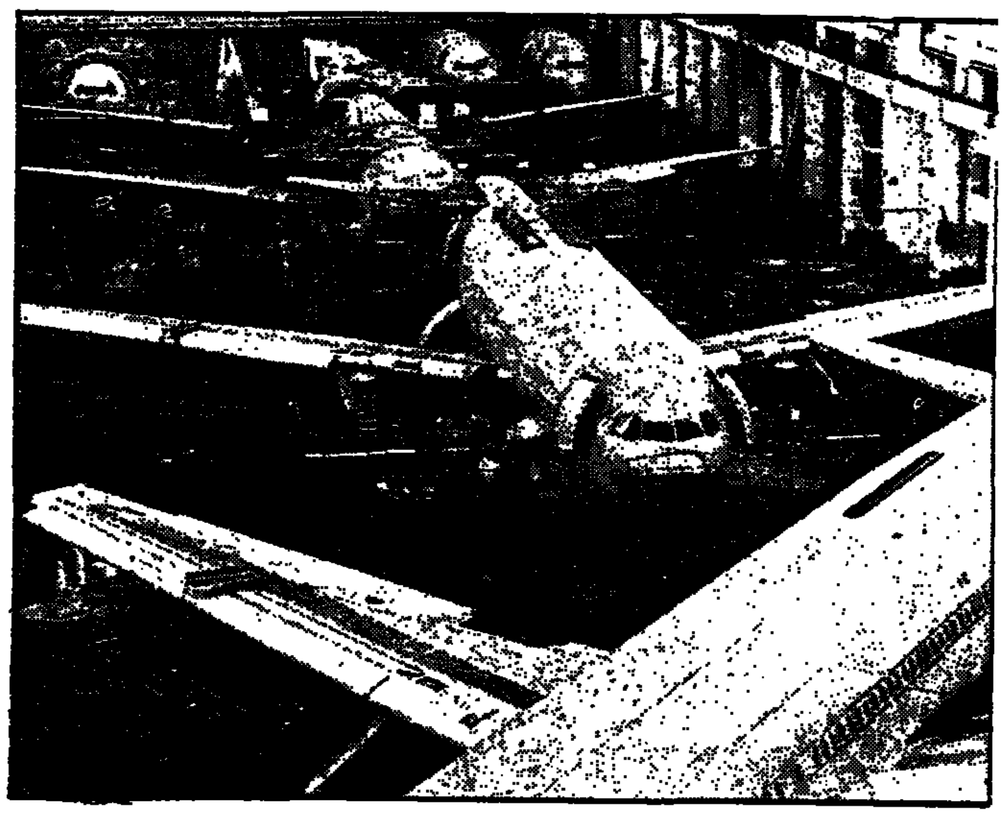
Britain's Central Electricity Generating Board has indicated it could take a stake of at least 16 per cent in the next fast breeder. If utilities from West Germany, Italy, Belgium and the Netherlands maintain roughly the same participation as in Superphenix, EdF would be content with seeing its financial share in Superphenix-2 falling to less than 50 per cent. But M Boiteux makes clear that France will be pressing for as large as possible an industrial share in the project—in order to win maximum benefit from its now somewhat uncomfortable position as Europe's leader in the fast breeder field.

David Marsh

New realism brings profits rise



The Mulhouse production centre of the Peugeot car group where metrology is used for three dimensional checking of the car body by a digital display recording machine. Below: the A300 assembly line of Airbus Industrie at the Toulouse plant



Private Sector

PAUL BETTS

IT MAY seem a paradox, but the French private sector has felt increasingly comfortable with socialism in the past few months. Although the Patronat, the French employers federation, will not go as far as officially endorsing the Socialist Government's industrial policies, many businessmen acknowledge in private that the business climate has been changing and improving under the current brand of French socialism.

In the circumstances, it is not surprising. Since the Communists withdrew from the left-wing governing coalition and M Laurent Fabius became prime minister last summer, the evolution of industrial and economic policies towards an increasingly market orientated and liberal approach has been accentuated.

The emphasis has been placed on encouraging corporate profitability, on productive investment, on industrial rationalisation and modernisation — in short, as one private entrepreneur put it, "renewing the capitalist spirit in France."

As a result, the mood has been far more confident in the private sector than in the past. Operating profits of French companies have continued to recover strongly as industrial costs, especially blue collar wages, have continued to fall. Indeed, operating earnings of the French corporate sector have returned now to their pre-oil crisis levels of 1974.

The Paris bourse has been booming, in part because of the abundant liquidity in the market but also because of the increasing attraction of French stocks from domestic and foreign investors. The Government has set up a battery of new measures to encourage investment, the creation of new companies, boost venture capital and liberalise the domestic capital markets.

But if there has been an improvement in the mood of French business in recent months, the overall outlook remains uncertain. By comparison with many of their foreign rivals, French companies remain in general undercapitalised. Many continue to be burdened by a high level of indebtedness. Others continue to suffer from what has been a traditional French weakness in marketing.

In the past 12 months there has been a number of major business failures in France of which the most spectacular was the bankruptcy of Creusot-Loire, the large heavy engineering subsidiary of the Empain-Schneider industrial conglomerate. But while the Creusot-Loire affair underlined the Government's resolve not to bail out lame ducks anymore, it also reflected the traditional ills of French enterprise of undercapitalisation and the failure to restructure and adapt quickly after a decade of heady growth.

French industry has also been slower than its foreign competitors to adapt to a sagging domestic market by relying more on exports. For years, many small and medium-sized companies relied on a general policy of "buy French" on the domestic market. But when the home market started to decline as in the case, most dramatically, of the car industry, many groups overreliant on the domestic market for orders were also dragged down.

There are, of course, exceptions and differences from sector to sector. The French food and drinks industry with blue chips like Pernod-Ricard, Moet Hennessy, or BSN, have all actively invested abroad and developed major international presences. So have other discreet but steadily growing blue chip groups like L'Air Liquide or Lafarge Coppee.

Although often at the leading edge of technological development, French companies have in contrast been generally slow to react to new restructuring requirements following the second oil shock. Moreover, they have had to pay the costs of the early misguided expansionary economic policies of the socialists immediately after President Mitterrand was elected four years ago.

Apart from the initial shock of the left's victory on the private sector, the new socialist labour regulations swelled the operating costs and heavily restricted the flexibility of private groups.

Slow reaction

Indeed, if private industry is now favourable to the Government's industrial and economic approach, they none the less blame the Socialists for their early policies. "They are now having to catch up for the mistakes they made at the beginning," remarked a leading private businessman on the socialist industrial track record. "It's all right to say they are now doing all the right things but they really put us in a hole and made us lose precious time as our main competitors were already restructuring themselves and taking advantage of the recovery," he added.

But the same businessman acknowledged that what the Government had subsequently done was courageous. "They have embraced tough restructuring policies and so far they have in general maintained their more rigorous and realistic approach to industry." These new policies have enabled French industry to make adequate productivity gains in the past two years to improve its competitiveness.

In particular, the Government's success in holding down wages and labour costs is in large measure responsible for the recovery in corporate profits.

For the first time since 1958, average hourly wages of blue collar workers in France grew last year at a lower rate than inflation. Hourly wages are estimated to have grown last year at an annual rate of between 6 per cent-6.3 per cent compared to the consumer price inflation rate of 6.7 per cent.

The rise in hourly wages had already started to slow the year before when wages increased at an annual rate of 9.6 per cent. The increase in 1982 was 12.7 per cent despite the Government's freeze on wages. In 1981, the rise totalled 16.3 per cent.

Moreover, industry has also benefited from a good labour climate in which there have been relatively few strikes and conflicts over restructurings. With the exception of the major labour conflicts in the automobile industry, industry has on the whole managed to shed far more jobs and with greater ease than in the past.

The Government and industry are also seeking to introduce more flexible labour laws to encourage greater mobility and facilitate delicate restructuring operations. Early retirements, incentives for immigrant workers to return to their homelands, special training and so-called worker reconversion projects have all contributed to industry's efforts to modernise and restructure itself.

But there is still considerably more to be done, according to the Patronat. The French employers federation is especially keen to see the Government provide substantial new fiscal incentives to help stimulate a strong recovery in industrial investment.

The Patronat argues that the Government should take the risk of increasing the budget deficit rather than allow industry to lag behind its foreign competitors.

Industry would also like to see lower interest rates in France deeming current loan rates of between 12 per cent-12.5 per cent as artificially high at a time when the prevailing inflation rate is 7 per cent and under. Although interest rates have been coming down slowly, they have not so far come down anywhere near where M Pierre Beregovoy, the finance and Economy Minister, would like to see them.

But perhaps the biggest worry for the French private sector is the prospect of a new period of heavy political turbulence in France. This is likely to follow the outcome of next year's parliamentary elections when the socialists are expected to lose their majority in the National Assembly.

Leading businessmen fear that the political climate between the parliamentary elections of next year and the presidential elections due in 1988 will probably lead to a paralysis in government and administrative decision-making. And this could not come at a worst time when the process of restructuring is now underway but still far from being completed.

Militant trade unionists demonstrating against dismissals at the Citroen plant near Paris

PROFILE: PEUGEOT

No longer a tarnished image

PEUGEOT, the private French car group embracing the Peugeot, Talbot and Citroen marques, announced at the beginning of June a big improvement in its financial performance. After several consecutive years of hefty losses, the company, France's largest private concern, managed to reduce its deficit to FFr 341m last year. Although the group is still not completely out of the woods, it expects to return to the black or at least break even this year.

The story of Peugeot has changed from what was regarded as a major disaster barely two years ago to one of success. The left-wing Government, which had attacked Peugeot for what it considered was its ruthless approach to job cuts, is now openly praising the company as a model of industrial restructuring.

Mme Edith Cresson, the Socialist industry minister, hailed the company and its management in a recent magazine interview but did not mention a word about Renault, the state-owned car group once the symbol of successful state industry in France which has now become the Government's principal industrial headache.

Difficult phase

Much of the credit for the turnaround at Peugeot has been given to M Jacques Calvet, the former chairman of the Banque Nationale de Paris (BNP), France's largest nationalised bank. M Calvet was brought into the group in 1982, and rapidly climbed the ladder to become chairman last autumn.

Although the restructuring at Peugeot was already well underway, M Calvet managed to provide the necessary punch to complete the most difficult phase of the recovery programme involving the group's large French operations.

M Calvet's main task has been to speed up Peugeot's return to profit, maintain the confidence of the banking community, and reduce about 8.5 per cent of the group's French car workforce. M Calvet came head on with the unions and the left-wing government in summer 1983 when he announced a major job-cutting programme at Peugeot and Talbot.

It led to a major confrontation with the unions which reached a climax at the beginning of 1984 with violent clashes at the large Talbot plant of Poissy near Paris. Subsequently, M Calvet announced major job cuts at the Citroen division.

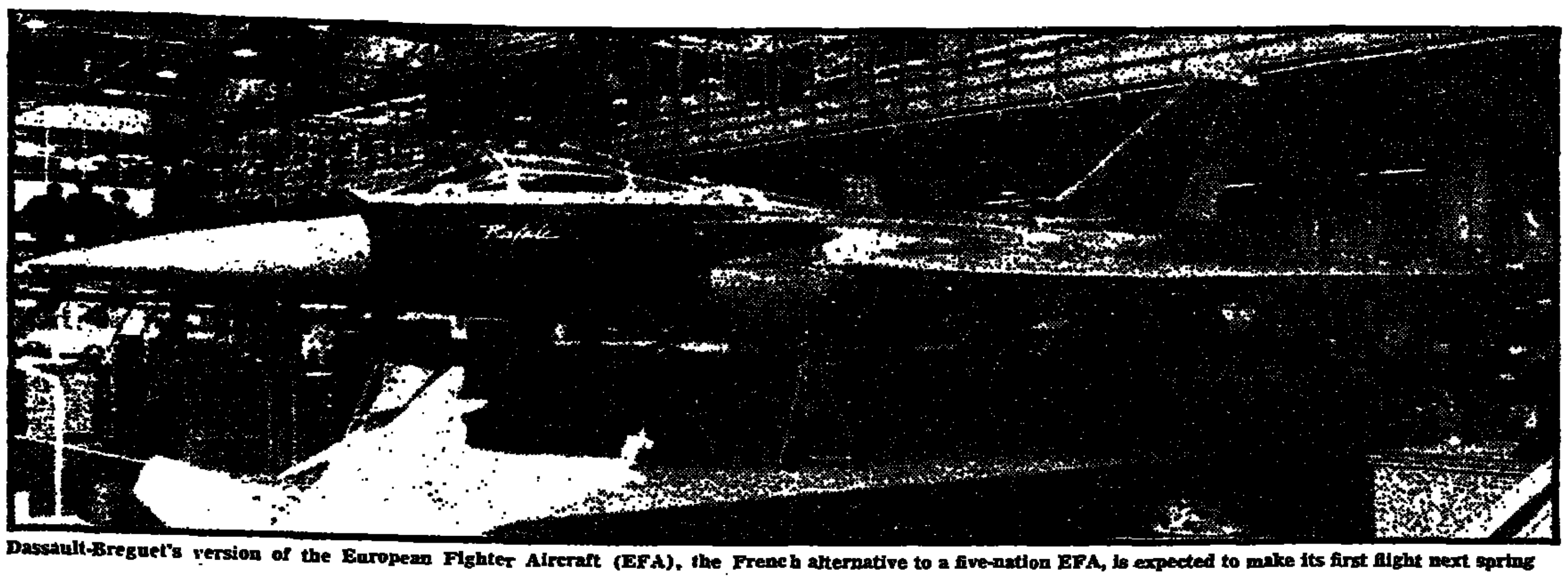
The former banker succeeded in his endeavour to restructure the car group and the group's total car workforce has now declined from 181,800 people in 1983 to 168,100 people last year. Moreover, the company's restructuring efforts were helped by Peugeot proposals to offer repatriation incentives for immigrant workers to return home and by keeping workers to find jobs in different branches or professions. M Calvet is continuing to seek productivity gains to keep his group competitive with other international car makers.

At the same time as restructuring the French workforce of the group, Peugeot has now completed the long industrial and marketing process of integrating the former Chrysler European operations which it acquired from the U.S. group in 1978 at the time of Peugeot's heady growth ambitions. Moreover, M Calvet's group has been boosted by the commercial success of the new Peugeot 205 supermini and the Citroen BX which have helped the private group overtake Renault in the domestic market.

The sharp change in the image of the group in France reflects the evolution that has taken place in industrial attitudes not only in industry and the Government but also in public opinion and many of the unions themselves. If two years ago the Peugeot job cuts may have appeared as a major provocation against the left-wing Government and the unions, they are today regarded as the necessary prescription for the recovery of the group. In turn, this underlines the more realistic climate that is prevailing in the French industrial sector.

Paul Betts

Jacques Calvet, chairman of Peugeot: he changed a potential disaster to a success story.



Dassault-Breguet's version of the European Fighter Aircraft (EFA), the French alternative to a five-nation EFA, is expected to make its first flight next spring

Proud of its independence

Aerospace

DAVID MARSH

THE FRENCH aerospace industry is facing up to the challenge of the 1990s in a mood of almost aggressive self-confidence.

World-wide competition in military and civilian areas has, as in other sectors, increased the necessity for France to enter co-operation deals with other countries. But this is one industry where France is economically and technologically successful enough to ensure that co-operation be carried out on relatively favourable terms.

The present tussle with Britain and West Germany over France's participation in the European Fighter Aircraft (EFA) planned for the 1990s—where French industry, backed by the Defence Ministry, is pressing for a dominant role—underlines how national interests certainly take priority over the political desire for European collaboration.

And, once again, France is showing that a tough-minded combination of government and industry bargaining can prove remarkably successful in pulling negotiations in France's favour.

All room for compromise in the talks to produce 1,000 fighter aircraft for 1995 by France, Britain, West Germany, Italy and Spain has not yet been exhausted. But, with positions hardening on all sides in recent weeks, it seems increasingly unlikely that a deal will be agreed involving significant concessions by Dessault Breguet, the maker of the Mirage jet range.

An increasingly likely outcome is that the five-nation project will simply fall to get off the ground—leaving Britain and France to carry out separate fighter-building programmes.

Dassault, in which the legendary 93-year-old M Marcel Dassault is still the majority shareholder in spite of the state's taking of a 46 per cent stake under the Socialists, relies on exports for roughly two-thirds of its sales.

The "exports first" priority has been clearly seen in the long-running EFA discussions. France is holding out for a lighter fighter than that wanted by the other four nations because a cheaper plane (as well as fitting in better with the French Air Force's own requirements) would prove easier to sell abroad—especially to the developing country and oil state clients on which so much of Dassault's success has been built.

With French air force orders for Dassault's new Mirage 2000 interceptor presently about 50 units less than originally planned because of budgetary cuts, Dassault has been forced over the past year to turn more than ever to foreign markets.

Oil barter

The Mirage 2000 has already been ordered by India, Peru, Egypt and Abu Dhabi (where the sale of a second batch of 18 aircraft was agreed at the end of last year in an oil barter deal). France has practically pulled off a sale of 40 jets to the Greek air force—and also seems to have edged ahead of competition from the UK-German-Italian Tornado in a deal worth a potential FFr30bn to sell 46 Mirage 2000s to Saudi Arabia.

Dassault's intransigence over sharing technology from its 30 year experience of making Mirages has annoyed the Germans as well as the British aerospace industry in recent months. The company has built the Alpha-jet training and strike aircraft with Dornier, and the Jaguar fighter with British Aerospace, but neither of these accords adds up to a full partnership.

Dassault's reluctance over international collaboration, however, stands in striking contrast to attitudes at Aerospatiale, where international work-sharing has become a leitmotif of programmes in the aircraft, helicopter satellite and missile fields.

Aerospatiale, which returned to profit last year after plunging into the red in 1983, is on the way to achieving its target of another 50 per cent increase in orders this year following on from a 57 per cent rise last year.

The company's diversified activities have certainly protected it from even more pronounced suffering during the 1982-83 downturns in military and civil markets.

With Airbus Industrie — in which Aerospatiale, like Messerschmitt Boelkow Blohm, has a 37.9 per cent stake — reporting a summer flurry of orders, and the Franco-Italian regional transport aircraft ATR-42 building up to first deliveries to customers at end-1985, Aerospatiale's outlook for civil planes looks a great deal healthier than two years ago.

In helicopters, Aerospatiale has teamed up with MBB under a Franco-German agreement last year to produce anti-tank helicopters for two countries' armed forces. French hopes that Britain would join the project have however been dashed following the agreement by Westland to collaborate with Agusta of Italy on a rival lighter type of combat helicopter.

Aerospatiale and MBB are fierce competitors in other parts of the helicopter market, which has been hit by a drop in orders of the last two years. Tough German bargaining has resulted in a decision to base in Munich the joint company being set up to pool resources in the new anti-tank helicopter—an indication that the French are finding it less easy than in the past to have their own way in Franco-German collaboration.

Another sign came with the management reshuffle at Airbus Industrie earlier this year. Herr Johann Schaeffler, from MBB, has been given the No. 2 general manager spot in the organisation under M Jean Pierson of Aerospatiale, the new chairman—a change from the former position where both top jobs were held by Frenchmen.

Intense rivalry

Rivalry is also intense in the increasingly important space sector, where the commercial success of the French-led Ariane rocket has considerably raised interest in the rewards of space of the next 10 to 15 years.

Aerospatiale and Dassault are competing to win the design contract for the Hermes mini-space shuttle which CNES, the national space agency, aims to award in September. France is placing pressure on Britain and West Germany to join the project, possibly next year—even though both British Aerospace and MBB have put forward rival concepts for manned space vehicles for the 1990s.

In satellites, the Matra/British Aerospace and Aerospatiale/MBB consortia are competing to win increasingly scarce orders for telecommunications craft. The former consortium (with BAe as prime contractor, but also including Hughes of the U.S. and Fokker of the Netherlands) edged ahead to clinch in April a $150m order from the International Maritime Satellite Organisation. Matra and Aerospatiale are also competing over winning Chinese satellite orders, as well as for the new generation of Eutelsat satellites to be launched by the European satellite communications body.

The French aerospace patchwork of cooperation coexisting with commercial rivalry extends beyond Europe. CNES maintains amicable relations with Nasa, the U.S. space agency at a time of fierce competition between Ariane and space shuttle for satellite launching.

Matra, the main French company to have collaborated with Nasa over space shuttle missions, is teaming up with McDonnell Douglas to prepare for materials fabrication in weightless conditions in space, while Société Européene de Propulsion, the maker of engines for Ariane and France's ballistic missiles, has just signed an important accord over propulsion technology with Rockwell.

The U.S. connection has also been firmly sealed by Snecma, France's state-owned aero-engine group, which has followed up its long-standing co-operation with General Electric over the CFM-56 engine with an accord over propfan research unveiled at the Paris air show.

And to underline that France's aerospace policy can remain fiercely independent while at the same time making use of American technology, Dassault's much-publicised Rafale fighter prototype which represents France's alternative to a five-nation EFA will make its first flight next spring — equipped with two GE F404 engines.

Spending on research is given a boost

Science and Technology

DAVID MARSH

M HUBERT CURIEN, the French Research and Technology Minister, charged with the gargantuan task of gearing up French science to improve the country's international competitive position is probably the sole member of the Government to combine technical competence with genuine bipartisan appeal.

M Curien, the former head of the French space agency CNES, was brought into the government team in last July's reshuffle. Despite the financial constraints which have drastically narrowed overall budget options, M Curien is now presiding over plans to increase civil research spending by 4 per cent a year in real terms between 1986 and 1988.

The target extends into the political no man's land between the 1986 and 1988 elections. But it is given a degree of credibility by the likelihood that any new right-wing government would take over wholeheartedly the Socialists' commitment to boosting research.

Indeed, M Curien, who is without political affiliation, would be a hot favourite to stay on in his post even if the Government changed next year.

All the political parties recognise that France's research and development efforts must be improved if the country is to keep its head above water in the increasingly severe high-technology battle with the U.S. and Japan.

R & D spending throughout the economy, although falling short of ambitious targets proclaimed by M Jean-Pierre Chevenemgnt, the Socialists' first Research Minister, has been boosted to 2.2 per cent of gross domestic product from 1.9 per cent in 1980.

The Socialists blame the previous right-wing administration for not paying sufficient attention to research during the 1970s, when overall spending in this area stagnated in relation to GDP.

M Curien believes R & D expenditure should rise to 2.9 to 3 per cent of GDP by the end of the decade to catch up with rates likely to be achieved among France's main competitors. The spending/GDP ratio is at present around 2.7 per cent in the U.S., 2.6 per cent in West Germany and 2.5 per cent in Japan.

But the Government's approach goes well beyond simply trying to throw money at the problem. Greater attention is being devoted to improving companies' own ability to finance research — an area where France has been relatively weak — in the form of expanded tax incentives. The research tax credit scheme is likely to cost the budget FFr 1.1 to 1.2bn in 1986, against FFr 450m this year.

Also included in the three-year science plan is a commitment to boost the number of researcher posts by 1,500 a year.

Efforts are being made to break down traditional rigidities in French research by boosting contacts between industry, universities and scientific institutes — for instance, through fiscal incentives for researchers to create their own businesses.

At the same time, university research is being shaken up through the introduction of a new American-style evaluation system and measures to boost training in "applied" areas like computer technology and engineering.

The Centre National de la Recherche Scientifique (CNRS), the sprawling research organisation conceived by the pre-war Popular Front Government and the flag-bearer of the country's scientific progress, is being driven into new commercially-oriented fields.

The CNRS, which groups 10,0000 scientists and 15,000 technicians in 1,500 laboratories or research groups, is trying to win more industrial research contracts and push scientists into commercial secondments.

As one indication of the difficulties of changing rigid career patterns, CNRS scientists up to now have, however, proved disappointingly slow in acepting appointments with industry.

Many observers now believe that the Socialist Government's extension of civil servant type job security to the CNRS, while good for scientific morale, has not helped efforts to achieve greater mobility.

The Government's most headline catching initiative in the research area has ben the promulgation of the Eureka high technology programme put forward by President Mitterrand to try to challenge U.S. and Japanese dominance in key fields.

M Curien, together with M Affairs Minister, has played a crucial role in winning diplomatic support for the move from France's EEC partners in the last two months. Now, the onus is on industrialists to come up with firm ideas for specific projects in areas ranging from biotechnology and composite materials to lasers, microprocessors and optics. M Curien would like the first few projects to be firmly decided by the EC this summer.

The Eureka programme has ben put forward above all as a response to the U.S. Strategic Defence Initiative.

Many French industrialists and scientists see President Reagan's "Star Wars" programme as a move primarily to pour government funds into improving further America's high-technology position.

France has said it will not participate in Star Wars. But clearly several high technology companies (of which Matra, the defence and electronics group, has stated its position most clearly) will be taking part in both programme.

M Curien does not rule out the possibility of co-ordination of the two projects to guard against unnecessary duplication of research efforts. This could result eventually in Eureka, at least in some specific areas like high powered computers or artificial intelligence, becoming a European subsection of SDI—certainly not the objective President Mitterrand had in mind.

M Curien will at least have no difficulty in picking up the phone and making contact with the Americans over Star Wars. The head of the Washington SDI Organisation, Lt Gen James Abrahamson, is an old friend of M Curien, wiht their relationship going back to the days when Lt Gen Abrahamson was the head of the U.S. space shuttle programme.

Green light for TV expansion

Media

PAUL BETTS

PRESIDENT Francois Mitterrand has unleashed a new revolution in France by deregulating the country's broadcasting system. After first allowing the setting up of private radio stations, President Mitterrand gave the green light this year for the creation of private television channels in France which will compete against the existing three national networks.

The decision represents a landmark of sorts for a country which has in the past jealously guarded its state broadcasting monopoly. But soon after he came to power, President Mitterrand indicated he intended to abolish, or at least water down, the state monopoly. Many people at the time regarded this pledge as a "bon mot" and expressed doubts whether the decision would be followed through in practice.

President Mitterrand has kept his word: the deregulation of broadcasting in France reflects the government's perception that in a rapidly changing technological and media environment, the state monopoly had become outdated and could act as a break to future technological developments in France.

However, the manner in which the deregulation process has been pushed forward has caused concern among many sectors of the French media and communications industry. Indeed, France has now embarked on a multitude of different new courses in communications, some of which are in direct conflict with each other. In turn, this has led to fierce battles between the different conflicting interests and could risk undermining some of the country's more ambitious communications projects.

The latest developments have cast a shadow on President Mitterrand's own plan to introduce cable television over a period of 15 years throughout the country. The cabling plan, involving some FFr 60bn of investment over the 15 year period, has the strong backing of the French telecommunications authority, the Direction Générale des Telecommunications (DGT).

The DGT sees the ambitious cabling programme as setting the basis for future French telecommunications and telephone services. It has argued very vigorously that France should be cabled with optical fibres, rather than the less costly coaxial copper wiring, and that it should be in overall control of the project.

Even before President Mitterrand gave the go-ahead this year to the setting up of private over-the-air television stations in France which would be far cheaper to launch and operate than cable, the optical fibre programme was facing competition from another rival communications sector. This involved the government's satellite television plans in which the state had already committed more than FFr 1bn in investments.

Budget squeeze

The Government and M Louis Mexandeau, the Post and Telecommunications Minister, has argued that cable and satellite can "cohabit" together. But at a time of budget squeeze and even greater financial pressures on the DGT, which has been called upon by the Government to finance the French electronics industry, there are growing fears that there will not be sufficient money to go around to finance in full the two rival projects.

The satellite programme has also been questioned on the grounds that the current project involves what is considered to be no longer the leading edge of technology. Indeed, there is a large lobby which has increasingly criticised the government's project to launch a large, heavy television satellite rather than opt for the lighter mixed joint telecommunications and television satellites on the model of the U.S.

Like cable, the satellite programme is now also threatened by the imminent arrival of over-the-air private television. After the howl of protests from the competing sectors of the industry, M. Laurent Fabius, the Prime Minister, asked a top official, M. Jean-Denis Bredin, to prepare a detailed report on the deregulation of television broadcasting and make specific recommendations to the government.

M. Bredin submitted his report to the government in May. It adopts a generally cautious approach to the development of private television in France, underlining the economic and technical limits of private television in the country.

The report proposes the setting-up of two nationwide commercial television channels which would be formed in association with a large number of local television networks. Many large French publishing and newspaper groups have shown interest in setting up either local or national networks. These include the huge Hersant group as well as a number of large provincial newspaper groups and radio stations. Radio Television Luxembourg (RTL), too, has made no secret of its ambitions to beam nationwide over France.

M. Bredin's report says that the two commercial networks in addition to the three existing national networks and the recently set up Canal Plus pay television channel could be capable of transmitting to about a third of the French population, or about 17m people. The number would rise gradually to about 22m people when additional transmitters are gradually installed.

One of the big problems for the future private channels is the extent of the additional resources that will be available from advertising revenues. The government report believes that there will be sufficient additional advertising revenue to support two new networks but not more. Moreover, there are already widespread anxieties that new television channels could face serious financial problems as they battle against the national networks for a larger share of advertising revenues and viewers.

Indeed, the national networks have been bracing themselves for the new competition for months. They are already competing in a fierce ratings war between themselves and clearly intend to set themselves up in as strong a position as possible before the advent of the new private channels. The troubles of France's first pay television channel, Canal Plus, provide another warning signal.

Canal Plus was launched with great fanfare last autumn but has failed so far to meet its subscriber targets and has been plunged into the red. The future of the private television network is now in the balance.

Tax shelter

Despite the worries and heavy lobbying of the existing channels, M. Fabius has already given his approval to the report's main recommendations for the creation of two new commercial networks in France.

M Fabius has gone even further. He has proposed offering major tax concessions to support the production of French feature and television films and programmes. Under the government's plan, the film and television programme industry in France will offer a tax shelter for investors placing their money in the form of risk capital into new film or television productions. These investments would become tax deductible.

As a further encouragement to the industry, the government is extending the amount of tax deductible contributions large corporations and institutions can make to sponsor artistic events and productions.

While committed to the deregulation of broadcasting, the government does not want to see happening in France the sort of anarchy which the unbridled rise of private television stations has provoked in Italy. This has severely undermined the Italian film industry and Paris has pledged its continuing support to protect, in the developing broadcasting free-for-all in France, the interests of the important French film industry.

Anger over U.S. export price cuts

Agriculture

PAUL BETTS

JOHN BLOCK, the U.S. agriculture secretary, spent a weekend in June touring farms in the French region of Burgundy. Sporting a bright red pullover, looking fit and relaxed as only senior American officials or businessmen know how to, the tall U.S. minister was photographed on tractors, patting cows and talking amiably to farmers. But this image of cosy familiarity and friendliness could not be more misleading.

France, perhaps more than any other member of the European Community, is involved in a mounting trade and agriculture in particular. Despite his smiles and pleasant manner, Mr Block made no concessions during his recent trip to France which was part of a wider European tour.

As for France, the Government and the farming sector are still reeling with anger over the recent announcement by Washington of a U.S. $2bn scheme to promote U.S. farm exports and a large cut-price offer of U.S. wheat to Algeria, a Francophone country which has long been regarded as a traditional French trade patch by Paris.

The gathering importance of the agriculture trade dispute between Paris ad Washington reflects the importance of agriculture for France. Indeed, France has now become the largest single exporter of agricultural products in the world after the U.S.

The contribution of agriculture to the French trade balance is enormous, exceeding that of the car industry and representing a surplus of about FFr 28bn last year compared with an overall French trade deficit of FFr 19.8bn in 1984.

The importance of agriculture on the economy in general is also reflected in its impact on GDP growth. After rising 1.9 per cent last year, GDP stopped growing in the first half of this year because of a slowdown in activity of two sectors in particular. These were the building industry and agriculture where activity was 4.3 per cent lower in the first three months of this year. Agriculture was badly hit in the first quarter by the cold winter.

French interests

With a large active farming population and the weight of the sector on the economy, the Government has made it clear that it has every intention to fight for French interests in the international trade front. "There is no question of France falling back on the European market. We have become a major exporting country and we cannot go back anymore," said Henri Mallet, the recently appointed French agriculture Minister who replaced Michel Rocard after the popular minister's spectacular resignation from the Government last April. President Mitterrand also made a proposal during the World Food Council meeting in Paris in June that exporters of farm products should agree on market shares in an effort to ease the developing international trade tensions on agricultural exports. However, the U.S. has vigorously opposed the idea of fixing market shares.

With the risk of trade wars developing and the annual monotonous ritual of EEC farm marathons continuing in Brussels, there has been a growing and visible perception on the part of large sections of the French farming community for the neeed of structural reforms including reductions in farm productions.

Although the main French farming union, the Federation des Syndicats d'Exploitants Agricoles (FNSEA), has continued to campaign against government policies, other important unions and groups have shown greater moderation in past months.

The French Chambres Agricoles have just completed a three-month study of the challenges and evolving needs of French agriculture. The conclusion, also echoed by the Young Farmers Union, is that French farming must become more competitive in the way it produces to face growing international trade challenges. Moreover, the Chambres Agricles no longer defend the French family farming model traditionally favoured by the FNSEA.

Instead they call for a more businesslike agro-industrial approach to farming and would like to see the Government increase fiscal incentives to enable farms to modernise their production systems. Even more significantly, the Chambres Agricloes are also arguing now for the introduction of voluntary production restraints on the part of French wheat producers to pre-empt the eventual introduction of obligatory production quotas, as has been the case for milk production.

French sugar-beet producers have already decided to finance their excess productions in what is a significant example of a farming sector seeking to tackle its own problems before the issue is taken up from outside.

The situation of the French cereal industry has been made all the more complex by the bumper wheat harvest in France with soft-wheat production at a record 26.8bn tonnes compared with the previous record of

Celebrating wheat harvesting in rural France.

21.6m tonnes in 1982. This has led to a larger-than-usual wheat surplus for France, since French internal wheat consumption totals no more than 9m tonnes a year. In turn, this has put further pressure on exports and prices.

In the case of the programme to reduce French milk production, this has proved a long and difficult process. Indeed, France has argued at Brussels that it has been far harder for the country to reduce milk production than other European countries because of the specific character of the French milk producing sector.

The French dairy business is extremely varied. In some regions like Normandy it suffers from an archaic structure while in other regions like Brittany it has to cope with a young generation of intensive milk producers who have invested heavily in recent years.

The problems are different from enterprise to enterprise and from region to region making an across the board production cut unworkable and ultimately unequitable. Thus to protect the conflicting interests of the different sectors of the dairy community in France, the government has been forced to move more slowly in the application of the EEC milk quotas.

For the time being at least, the milk problem has been overshadowed by the farming industry's worries about the enlargement of the European Community and the future impact of agricultural production from Spain and Portugal. The wine regions of the south-west and the south, already battling with excess wine capacity or the so-called "wine lake," have protested angrily over the entry into the EEC of Spain and Portugal.

The FNSEA union has also used the enlargement issue to fire broadsides at the Socialist Government. Although there is a lull at present in the militancy and protests of the farming community, it could be sparked off again at the drop of a hat.

The farmers remain one of the most powerful lobbies in the country and their capacity to organise themselves and bring their troops out in the streets remains quite remarkable, especially in an election year.

Companies chalk up more successes

FOOD AND drink have in more senses than one come to the aid of the French during these years of virtually stagnant economic growth.

France is the second largest exporter of food and agricultural produce in the world after the U.S. Its surplus on food and agricultural trade last year reached a record FFr 29.8bn, contributing both to reducing the trade deficit and to a much-needed boosting of the national output figure by a few fractions of a percentage point.

The main reason behind last year's performance was the magnificent cereal harvest which pushed up grain exports by 19.6 per cent to FFr 29bn. A recent run of good wine harvests, coming at a time when the dollar was strong also pushed up wine and spirit exports by 25 per cent to FFr 18.7bn.

Neither nature's generosity—nor in the case of certain products the subsidies provided by the EEC's Common Agricultural Policy—alone account for the successes of France's food and drink sector. For along with the retail and hotel industry, the food sector has produced some of the most successful of French companies of the post-war years.

They have generally not had to face the heavy restructuring costs that have handicapped heavy industries such as steel and engineering. Their managers have mostly come from less conventional backgrounds than ENA (the elite Ecole Nationale d'Administration). They have also put marketing high on their list of priorities.

BSN, the largest French food and drink group, with a turnover of FFr 27bn, is something of an exception in that Antoine Riboud pushed it in this direction after concluding that there was little future in the glass industry — its initial base. BSN is now a European leader in the brewing industry and a worldwide leader in milk-based products.

Générale Biscuit, with total sales of over FFr 6bn was developed by Claude Noel Martin through mergers and tie-ups with the fragmented and often family-owned biscuit companies scattered around Europe after the war. It is now firmly implanted in the U.S. but it took to the sidelines when the "cookie war" opened between Nabisco and Procter and Gamble as the two giants launched heavy publicity campaigns to increase their market share.

Food industry

DAVID HOUSEGO

Pernod Ricard (FFr 8bn of sales) has been diversifying out of spirits, a stagnant market worldwide, into soft drinks.

It is now engaged in a major publicity campaign to develop Orangina in the U.S. market.

Not withstanding the strong profit record of the food groups in recent years, 1984 was generally not a good year for them. BSN saw its profits fall because a cold summer hit beer and soft drink sales — Antoine Riboud complains that temperatures in France last summer were four degrees C below the average of the past decade.

Paradoxically the strength of the French food and drinks sector has still not given birth to a French multinational food giant of the size of Nestle, for instance. Both former President Giscard d'Estaing and M Jacques Delors, the former Finance Minister, pushed in this direction. But the main food companies have been reluctant to take such a leap in the dark.

None the less the food groups have a strong tradition of innovation and research. Alain Chevalier of Moet-Hennessy, who diversified the group into sparkling wine production in California, has been diversifying further into test tube breeding techniques. After purchasing a 34 per cent stake in Delbard, the French nursery company and a 90 per cent stake in Armstrong Nurseries of California, it sees a future in the accelerated cultivation of vines and fruit trees.

The sharp increase in wine and champagne exports has been a result of the unusual circumstances of three good harvests in a row—1981, 1982 and 1983. Bordeaux, the largest wine-growing region in France, increased its exports last year by more than 40 per cent to over FFr 3bn. A substantial part of this was due to the strength of the dollar which pushed up receipts.

Among the major Bordeaux crus (growths) prices of 1982 and 1983 wines have risen spectacularly. Prices of the 1984 wines have also been set high.

Champagne exports also rise to a new record last year of 63.7m bottles or a 26 per cent increase over 1983. This reflected an overall boom in champagne sales which rose by 17.9 per cent to 188m bottles.

This year's harvest, however, is expected to be well down as a result of the heavy frosts during the early part of the year. The champagne producers association calculates that 10,000 of the 25,000 hectares of champagne vineyards were hit by the frosts.

Notwithstanding this boom in wine sales, the French are drinking less table wine but more wine of higher quality. The strongest trend in France, however, is towards beer and soft drinks.

Labour accepts need to restructure

Unions

PAUL BETTS

A BALL BEARING factory outside Paris, a subsidiary of the Swedish SKF group, was the scene of unusually violent clashes between militant members of the pro-Communist CGT union and riot police forces at the beginning of June.

The union militants helped by the Communist-led local administration of Ivry, where the SKF factory is based, staged a dawn raid on the plant to try to occupy it. The factory had been occupied by union workers for the past 18 months in an effort to oppose the company's decision to shut it down and lay-off about 600 people. But the week earlier, riot police forces cleared the occupied plant prompting the CGT to mount its surprise raid.

The issue has been turned into a national affair by the Communist Party. Not only is Ivry in the so-called Communist "red belt" around Paris but also it is in the constituency of M Georges Marchais, the Communist secretary general.

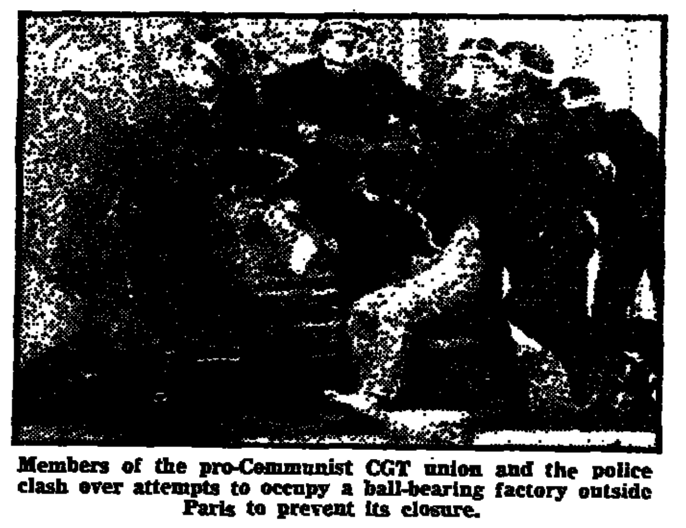
M Marchais led a demonstration in the streets of Ivry and has accused the government and M Laurent Fabius, the Prime Minister, directly for the events at the SKF plant. The Communists have also seized on the affair to intensify their attacks against the socialist government's economic and industrial policies.

But the recent incidents of Ivry are in no way a sign of the general strength and militancy of the union movement. Indeed, it is quite the opposite, and reflects an attempt by both the CGT and the Communist Party leadership to try to stir up a largely demoralised and confused union rank and file at a time when the Communists are continuing to suffer a steady decline in their popular influence and appeal.

Rare eruption

Since withdrawing from the left-wing governing alliance last summer in opposition to the Socialists' policies of economic austerity and industrial restructuring, the Communists have sought to rally their working class base to put pressure on the Socialists. With the exception of the rare eruption at Ivry, it has failed. Moreover, M Henri Krasucki, the secretary general of the CGT union, has himself come under pressure within his own confederation.

The problem for the French union movement is that it has had to come to terms under a socialist administration with the needs for widescale restructuring and modernisation of French industry to make it more competitive. The "sacred cows" of the past have been slaughtered one by one. After the riots and the damaging labour strife in the car industry, the union rank and file has had to accept the harsh reality of restructuring. Indeed, the labour force is now more preoccupied in safeguarding existing employment and is unwilling to risk rocking the boat and causing even harsher unemployment.



Members of the pro-Communist CGT union and the police clash over attempts to occupy a ball-bearing factory outside Paris to prevent its closure.

The failure of the unions to adapt to the changing circumstances and climate of French industry is reflected in the declining membership of the two major left-wing unions. The CGT and the pro-Socialist CFDT have seen their membership decline steadily. In the case of the CGT, the membership is down to 1.6m people from 2.3m members in the late 1970s. As for the CFDT, membership has declined to 880,000 people making it the third largest union behind Force Ouvrier, the reformist union which has been gaining in appeal by sticking to strictly labour issues rather than adopting a more general political approach as do the other two big unions.

It has clearly been difficult for the traditional French union movements to adapt to the changes in French industry. But, under pressure from their own members, the unions have shown far greater willingness to discuss and negotiate on key issues like labour mobility and greater labour flexibility.

Although the initial negotiations between the Patronat, the employers' federation, and the unions on flexibility broke down last year, there is again a slow momentum gathering to resume the discussions. Indeed, both the unions and the employers encouraged by the Government are seeking to reduce some of the traditional obstacles in French labour relations which are now threatening to worsen the unemployment situation in the country.

The Patronat has long been arguing for more flexible labour laws, but the unions have until now refused to give up any of the so-called workers' rights won in the past few years. However, the unions have eased their demands for shorter working hours and new benefits in the face of the difficulties of French industry and the threat of rising unemployment. They are also showing greater willingness than in the past to accept greater flexibility in existing labour regulations.

Among the new measures now under discussion are more flexible regulations for industries taking on trainees or temporary employment. Companies, led by the car industry, have been able to offer repatriation incentives to immigrants to encourage them to return to their homelands. Special reconversion training courses lasting two years have been set up to enable a worker laid off from one company to be retrained for a job in another group or in an entirely different sector.

But if there is now a basic agreement between the employers on one side and the unions on the other on the need for greater flexibility in labour relations (including allowing enterprises to lay workers off more quickly than in the past), there are still many hurdles to be overcome. This was reflected last Christmas when four of the country's major labour unions, with the exception of the CGT, signed a draft agreement with the Patronat on flexibility after nearly eight months of negotiations.

A setback

The agreement was not ratified, however, by the rank and file worried by the implications the draft could have on the so-called "code due travail," or French labour code.

The rejection of the draft by the rank and file was a setback for the moderate leaders of the unions as well as for the Patronat and the Government. While the labour base has been showing far greater willingness than in the past to adopt a more realistic and pragmatic approach to labour negotiations, it remains deeply apprehensive about making too many concessions at a time when its real purchasing power has dropped during the past two years. But the discussions on flexibility are now again starting to make a little headway.

There is, however, a danger in coming months that the pro-Communist CGT and the Communist Party will intensify their anti-Government campaign, and harden its attitudes to industrial restructuring and labour disputes as next year's parliamentary elections close in. This could clearly undermine the revival of negotiations and the ongoing restructuring efforts in large sections of French industry, not least the car industry. It could equally backfire in the face of an increasingly moderate and more realistic approach by labour in general in France to the changing needs of industry.